



Finance Act 1966

1966 CHAPTER 18

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. [3rd August 1966]

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

Reliefs, drawback, exemptions, etc.

1 Relief from duty on imported goods.

- (1) Subject to subsection (3) of this section, the Commissioners shall have power to give relief in accordance with subsection (2) thereof from any duty under section 1 of the Import Duties Act 1958 or under the Customs Duties (Dumping and Subsidies) Act 1957 chargeable in respect of goods of any description imported or proposed to be imported into the United Kingdom (hereafter in this section referred to as "the imported articles") if—
- (a) the Board of Trade have notified the Commissioners that in the opinion of the Board the granting of the relief would conduce to the exportation of other

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goods and, subject to such, if any, limitations or conditions as the Board see fit to indicate, would be expedient in the national interest; and

- (b) the Commissioners are satisfied as to those other goods being goods constituting, or incorporating, or manufactured or produced from, equivalent articles;

and, in deciding whether or not to give a notification to the Commissioners under paragraph (a) of this subsection in respect of any imported articles, the Board of Trade shall have regard to the interests of those producing in the United Kingdom goods comparable with those articles.

- (2) Relief under subsection (1) of this section from any duty chargeable in respect of any imported articles—

- (a) may be given, as appears to the Commissioners to be appropriate in the circumstances of the case—

- (i) either in respect of those imported articles as a whole, or in respect of any one or more components thereof; and

- (ii) either by remission or repayment (in whole or in part) of the amount of that duty or by payment of an amount equal to the drawback which it appears to the Commissioners would be payable apart from anything in this section if such goods as appear to the Commissioners to be appropriate in the circumstances of the case were to be exported; and

- (b) shall be subject to such conditions as the Commissioners see fit to impose—

- (i) in order to give effect to any limitations or conditions such as are referred to in subsection (1)(a) of this section; or

- (ii) for the protection of the revenue ; or

- (iii) for securing the exportation of goods constituting, or incorporating, or manufactured or produced from, equivalent articles.

- (3) Relief under subsection (1) of this section from any duty such as is mentioned in that subsection shall not be given in respect of, or in respect of any component of, any imported articles by reference to any equivalent articles unless, or except to the extent that, the Commissioners are satisfied that—

- (a) relief otherwise than under the said subsection (1) from any such duty as aforesaid chargeable in respect of the equivalent articles themselves, or in respect of goods from which those equivalent articles were manufactured or produced, has not already been given in respect of, or, as the case may be, in respect of the corresponding component of, those equivalent articles or goods; and

- (b) relief under the said subsection (1) in respect of, or, as the case may be, in respect of the corresponding component of, other imported articles has not already been given by reference to those equivalent articles ; and

- (c) relief from the duty chargeable in respect of the imported articles has not already been given, whether in respect of those articles as a whole or in respect of any component thereof;

and no relief from any such duty as aforesaid, whether by way of drawback or otherwise, available on the exportation of any goods shall be given in respect of the goods exported, or in respect of any goods incorporated in the goods exported, or in respect of any goods from which the goods exported were manufactured or produced, unless, or except to the extent that, the Commissioners are satisfied that—

- (i) relief from that duty has not already been given under the said subsection (1) or otherwise ; and

- (ii) relief under the said subsection (1) has not been given in respect of, or in respect of any component of, any other goods by reference to equivalent articles constituting, or incorporated in, or used for the manufacture or production of, the goods in respect of which the relief is sought.
- (4) In the foregoing provisions of this section—
 - (a) any reference to a component of any goods or articles shall be construed as a reference to, and to any combination of, any of the following, namely, any component, any ingredient, and any constituent part, of those goods or articles ;
 - (b) the expression " equivalent articles " means goods of any description which, in the opinion of the Commissioners (having regard to such matters, and in particular to such of the following matters, namely, the description, quantity, quality, value and function of those goods and the imported articles respectively, as appear to the Commissioners to be relevant in the particular circumstances) are sufficiently similar to the imported articles, or to goods which could be manufactured or produced from the imported articles, to be reasonably regarded for the purposes of relief under subsection (1) of this section as interchangeable with those articles or, as the case may be, with goods manufactured or produced from them.
- (5) Subsections (1) to (4) of this section shall be construed as if contained in the Import Duties Act 1958 ; and section 10 of that Act (which relates to false statements or documents in connection with applications for, and to forfeiture for failure to comply with conditions as to, relief) shall apply in relation to relief under subsection (1) of this section as it applies in relation to relief under section 5(1) or section 6 of that Act.
- (6) Section 2(1) of the Finance Act 1965 (which makes provision for the purposes of section 7 of the Import Duties Act 1958 for goods brought to a registered shipbuilding yard to be deemed to be exported) shall have effect as if any reference therein to the said section 7 included a reference to subsections (1) to (4) of this section.
- (7) Without prejudice to section 15(2) of the Import Duties Act 1958 and its application by virtue of subsection (5) of this section, for the purposes of any reference in subsections (1) to (4) of this section or in the said Act of 1958 to goods incorporating, or produced or manufactured from, any articles, any container in which goods are exported, being a container—
 - (a) which is provided by the supplier of the exported goods and is not required to be returned to him ; and
 - (b) for which, if it were returned to him, that supplier would give no credit and would discharge no contingent liability,shall be treated as forming part of the exported goods.

2 Reliefs for shipbuilders in respect of certain duties.

- (1) The provisions of this section shall have effect for the purpose of affording relief in respect of duties of customs and excise chargeable on hydrocarbon oils, vehicle excise duty (including such duty chargeable in Northern Ireland) and purchase tax incurred in connection with the construction and fitting out of certain vessels and other floating structures.
- (2) If, on an application made in accordance with directions from time to time given by the Commissioners for the purposes of this section, it is shown to the satisfaction

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of the Commissioners that a vessel or other structure to which this section applies, having been constructed in the United Kingdom by the applicant pursuant to a contract (whenever made) under which it was to become the property of some other person, was delivered by him pursuant to that contract after the coming into force of this section, the applicant shall, subject to subsections (7) to (9) below, be entitled to receive from the Commissioners a payment of an amount determined in accordance with the two next following subsections.

- (3) Subject to the next following subsection, the said amount shall be such percentage as the Treasury may by order prescribe of the price payable under the contract in question for the said vessel or structure and all fittings and other equipment supplied by the applicant therewith, or, if that price appears to the Commissioners to be greater than the open market value of the vessel or structure and its said fittings and equipment as determined in accordance with Part I of Schedule 1 to this Act and the Commissioners so decide, the prescribed percentage of that value; and an order under this subsection may prescribe different percentages in relation to different descriptions of vessels or structures.

Any price which is expressed in a foreign currency shall be treated for the purposes of this subsection as equivalent to a sum calculated in such manner as the Commissioners may direct.

- (4) The price or value referred to in the last foregoing subsection shall, in the circumstances specified in Part II of the said Schedule 1, be treated for the purposes of that subsection as reduced as mentioned in that Part.
- (5) The vessels and other structures to which this section applies are as follows—
- (a) any ship, within the meaning of the Merchant Shipping Acts 1894 to 1965, the gross tonnage of which, ascertained in accordance with those Acts, is not less than eighty tons; and
 - (b) any other vessel, or other structure capable of floating on the sea, which is of a description specified in that behalf by an order of the Treasury, and in respect of which any conditions so specified are satisfied:

Provided that the Treasury may by order exclude from the operation of this section any ship, or any ship of a specified description, in the case of which less than a specified percentage of the cost of its construction, calculated in accordance with the order, was attributable to United Kingdom expenditure as defined in the order.

- (6) References in this section to the construction of vessels and other structures do not include references to their reconstruction, refitting or repair.
- (7) If, within one month of the coming into force of this section, any person shows to the satisfaction of the Commissioners—
- (a) that a vessel or other structure has been, or is to be, delivered to him pursuant to a contract made before 23rd June 1966, and has been, or is to be, exported by him pursuant to another such contract, and
 - (b) that, by reason of its exportation pursuant to the last-mentioned contract, he is or may become entitled to payment of a rebate under section 7 of the Finance (No. 2) Act 1964 (export rebates),

no payment shall be made under this section in respect of the said vessel or structure unless that person either by notice in writing to the Commissioners waives any right to the rebate in question or fails for any reason to become entitled thereto.

- (8) No person shall be entitled to a rebate under the said section 7 in respect of any vessel or other structure in respect of which a payment under this section is, or could if applied for have been, made to any other person; and a person who, but for this subsection, would be entitled as respects any vessel or other structure to both such a rebate and such a payment may receive either, as he elects, but not both.
- (9) Where in the case of any vessel or structure the whole or any part of the price payable as mentioned in subsection (3) above is not received in accordance with the contract in question by the applicant for a payment under this section, the Commissioners if they think fit may require the applicant to repay the whole or any part of any payment made to him on the application or, as the case may be, may withhold from him the whole or any part of any payment which would otherwise fall to be so made.
- (10) It shall be the duty of any person to or by whom a payment under this section has been made or applied for to inform the Commissioners of any event which would entitle them to exercise the powers conferred by the last foregoing subsection, and any person who fails to comply with this subsection shall be liable to a penalty of one hundred pounds.
- (11) The provisions of Part III of Schedule 1 to this Act shall have effect for the purposes of this section.
- (12) For the avoidance of doubt it is hereby declared that the allowances referred to in section 9 of the Finance Act 1961 do not include payments under this section.
- (13) Payments by the Commissioners under this section shall be made out of the sums received by them on account of duties of customs and excise and purchase tax ; and—
 - (a) notwithstanding anything in section 5(4) of the Vehicles (Excise) Act 1962 (which requires duties levied under that Act to be paid into the Exchequer) or in any Order in Council under that section, the Treasury may give directions for the payment to the Commissioners, at such times and in such manner as the Treasury may determine, out of the duties levied under that Act of such sums as the Treasury think fit having regard to the extent to which payments under this section are designed to afford relief in respect of such duties;
 - (b) any sums so paid shall be treated for the purposes of section 11 of the Act of 1952 (disposal of duties of customs and excise) as money received by the Commissioners on account of duties of customs and excise.
- (14) Any order under the foregoing provisions of this section may be varied or revoked by a subsequent order, and shall be made by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.
- (15) This section shall come into force on such day as may be appointed by the Treasury by an order under this subsection made by statutory instrument and laid before Parliament after being made, but shall, in its application to any vessel or other structure by virtue of an order under subsection (5) above, have effect as if it had not come into force until such later day, if any, as may be specified in that order.

3 Drawback on tobacco.

Section 183(1) of the Act of 1952 (drawback on tobacco) shall be amended as follows:

- (a) in paragraph (a) (drawback on tobacco other than tobacco stalks and tobacco refuse), there shall be added at the end of sub-paragraph (ii) " or for sale at

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a place approved by the Commissioners for the purpose to persons leaving the United Kingdom by air for destinations outside the United Kingdom, the Republic of Ireland, the Channel Islands and the Isle of Man "; and

- (b) for all the words after paragraph (d) there shall be substituted " but, in the case of tobacco stalks or tobacco refuse, only if the deposit, warehousing or exportation was by a tobacco manufacturer ".

4 Exemption of E.F.T.A. goods from duties on hop oil and hop extracts.

As from 1st September 1966, goods of Convention area origin within the meaning of the European Free Trade Association Act 1960 shall be exempted from any duty of customs under section 3(1)(b) or (c) of the Finance Act 1957 (which relate to duties of customs on hop oil or, as the case may be, on any extract, essence or other similar preparation made from hops, except hop oil).

5 Removal of restriction on delivery of imported vodka for home use.

As from 1st September 1966, section 109(1) of the Act of 1952 (which provides that no spirits shall be delivered for home use unless they have been warehoused for a period of at least three years) shall not apply to imported vodka consisting of spirits which have had a flavour communicated thereto or an ingredient or material mixed therewith.

6 Rebate of duty on heavy oils.

For heavy oils delivered for home use after six o'clock in the evening of 31st August 1966, the rate at which rebate of the customs or excise duty on hydrocarbon oils is allowed under section 199 of the Act of 1952 shall in all cases be a rate twopence a gallon less than the rate at which the duty in question is for the time being chargeable.

7 Eligibility of imported goods for rates of revenue duties applicable to goods of Republic of Ireland.

- (1) Subsections (1) to (3) of section 12 of the Import Duties Act 1958 (which relate to the determination for the purposes of that Act of the country of origin of imported goods) shall have effect as if references therein to that Act included references to any enactment passed, or instrument made, after the passing of this Act which specifies a rate at which any revenue duty is to be charged in respect of goods of the Republic of Ireland consigned to the United Kingdom from that country.
- (2) In the foregoing subsection " revenue duty " means any customs duty other than one chargeable under the said Act of 1958, the Customs Duties (Dumping and Subsidies) Act 1957 or section 3 of the Finance (No. 2) Act 1964.

Vehicles excise duty.

8 Unladen weight of vehicles: special bodies.

- (1) This section has effect as respects the application of Schedule 6 to the Vehicles (Excise) Act 1962 (computation of the unladen weight of vehicles) to a vehicle having a body constructed or adapted for the purpose of being lifted on or off the vehicle with

goods or burden contained therein which is from time to time actually used for that purpose in the ordinary course of business.

- (2) The unladen weight of the vehicle shall, for the purposes of the said Act, be taken exclusive of the weight of any such body and, where alternative bodies are used, any such body shall be disregarded for the purposes of the said Schedule 6.
- (3) If any question arises whether a body is from time to time actually used for the purpose mentioned in subsection (1) above in the ordinary course of business, the body shall be deemed not to be so used until the contrary is shown.
- (4) This section shall come into force on 1st September 1966.
- (5) The holder in respect of any vehicle to which this section applies of a licence under the said Act of 1962 issued before the coming into force of this section shall, on an application made within twelve months of that time to the council with which the vehicle is for the time being registered, be entitled to a refund of duty, in respect of any period after that time during which the licence has been or (on the assumption that it is not surrendered) will be current, of an amount equal to one-twelfth for each complete month in that period of the difference between—
 - (a) the annual rate of duty chargeable in respect of the vehicle at the time the licence was taken out, and
 - (b) the annual rate appropriate to the vehicle after the coming into force of this section.
- (6) On the surrender after the coming into force of this section of a licence issued before that time in respect of any such vehicle, the rebate of duty payable under section 9 of the said Act of 1962 shall be computed as if the rate of duty on the licence had been the rate appropriate to the vehicle after the coming into force of this section.

Export rebates.

9 Restriction on export rebates for goods consigned to Convention area.

- (1) No person shall be entitled to rebate under section 7 of the Finance (No. 2) Act 1964 (export rebates) in respect of goods exported from the United Kingdom if a Convention rate of duty (as defined in the European Free Trade Association Act 1960) is applied to those goods after being so exported, and the Commissioners may require an applicant for rebate under that section in respect of any goods to satisfy them that a Convention rate of duty has not been, and will not be, applied to the goods at any time after the exportation.
- (2) A person who has received a rebate for which he is or becomes disentitled in consequence of this section shall be liable to repay the amount of that rebate to the Commissioners, and shall be under a duty to inform the Commissioners of any event giving rise to such a liability.

A person failing to give the Commissioners any information which it is his duty to give under this subsection shall be liable to a penalty of one hundred pounds (but without prejudice to any other penalty which may be imposed for making an untrue declaration or otherwise).
- (3) The Commissioners may under subsection (1) above require an applicant for rebate to give them a declaration in writing made to the best of his knowledge and belief and in

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such form and manner as the Commissioners may direct that a Convention rate of duty has not been, and will not be, applied to the goods at any time after the exportation, and may if they think fit accept that declaration without further proof or verification, but without prejudice to enforcement of the liability under subsection (2) above.

- (4) Section 9(1) of the Finance (No. 2) Act 1964 (powers of obtaining information to determine whether a rebate is repayable under section 8 of that Act) shall apply as if references to section 8 of that Act included references to subsection (2) of this section.
- (5) References in this section to the application of a Convention rate of duty are references to the application in any part of the Convention area (other than the United Kingdom) of a Convention rate of duty where that results in the payment of less duty than would be payable if the goods were not of Convention area origin.
- (6) Sections 10 and 11 of the European Free Trade Association Act 1960 as for the time being in force shall apply for the interpretation of this section.
- (7) Subsection (1) of this section shall not apply to rebate payable by reference to the exportation of goods before 1st January 1967.

Hover vehicles and pipe-lines.

10 Customs procedures: hover vehicles and related matters.

- (1) Parts II, X, XI and XII of the Act of 1952 (general and supplemental provisions) shall apply as if references to ships or vessels included references to hover vehicles, and all other provisions of the customs and excise Acts shall apply as if references (however expressed) to goods or passengers carried in or moved by ships or vessels included references to goods or passengers carried in or moved by hover vehicles; and in all the provisions of the customs and excise Acts " landed ", " loaded ", " shipped ", " shipped as stores ", " transhipment ", " voyage ", " waterborne ", " master " and cognate expressions shall be construed accordingly.
- (2) The provisions of Schedule 2 to this Act shall also have effect with respect to the application of the Act of 1952 to hover vehicles.
- (3) The Commissioners may by regulations impose conditions and restrictions as respects the movement of hover vehicles and the carriage of goods by hover vehicles, and in particular—
 - (a) may prescribe the procedure to be followed by hover vehicles proceeding to or from a port or any customs airport or customs station, and authorise the proper officer to give directions as to their routes, and
 - (b) may make provision for cases where by reason of accident, or in any other circumstance, it is impracticable to comply with any conditions or restrictions imposed or directions given as respects hover vehicles,
 and if any person contravenes or fails to comply with any regulations made under this subsection, or with any direction given by the Commissioners or the proper officer in pursuance of any such regulations, he shall be liable to a penalty of one hundred pounds and any goods in respect of which the offence was committed shall be liable to forfeiture.
- (4) Sections 14(1) and 17(1) of the Act of 1952 (power to approve wharves and transit sheds in any port) may be applied to places not in a port and—

- (a) Part II of the said Act shall apply in relation to any place approved under the said section 14 or 17 which is not in a port as if it were in a port, and
 - (b) section 298 of the said Act (power to search persons) shall apply to any person in, entering or leaving any such place, and
 - (c) subsection (3) (a) above shall apply to hover vehicles proceeding to or from any such place as if it were a port.
- (5) References in the customs and excise Acts to goods imported or exported by land, or conveyed into or out of Northern Ireland by land, include references to goods imported, exported or conveyed across any part of the boundary of Northern Ireland, and it is hereby declared that in those Acts references to vehicles include references to hover vehicles proceeding over land or water or partly over land and partly over water.
- (6) Any power of making regulations or other instruments relating to the importation or exportation of goods conferred by the customs and excise Acts may be exercised so as to make provision for the importation or exportation of goods by hover vehicles which is different from the provision made for the importation or exportation of goods by other means.
- (7) Goods to which section 47 of the said Act applies (drawback goods, etc., and goods subject to restrictions or controls on export) shall only be exported in a hover vehicle if it is of a class or description for the time being approved by the Commissioners and subject to such conditions and restrictions as they may impose, and—
 - (a) a person contravening or failing to comply with this subsection, or any condition or restriction imposed under this subsection, shall be liable to a penalty of three times the value of the goods or one hundred pounds, whichever is the greater,
 - (b) any goods shipped or entered contrary to this subsection shall be liable to forfeiture.
- (8) In section 29(1) of the said Act (entry by bill of sight of goods imported by sea or air) the words " by sea or air " shall cease to have effect, and in section 284(2) of that Act (justices' jurisdiction to try offences committed on the water or in the air outside their area) the words " on the water or in the air " shall cease to have effect.
- (9) In this section and its Schedule " hover vehicle " means a vehicle designed to be supported on a cushion of air.

11 Pipe-lines.

- (1) Goods shall not be imported or exported by means of a pipe-line that is not for the time being approved by the Commissioners for the purposes of this section, and uncleared goods shall not be moved by means of a pipe-line that is not for the time being so approved.
- (2) All goods imported by means of a pipe-line and chargeable with a duty of customs shall be entered for warehousing, and in the customs and excise Acts the expression " the importer " in relation to goods imported by means of a pipe-line shall include the owner of the pipe-line.
- (3) For the purposes of the customs and excise Acts—
 - (a) goods imported by means of a pipe-line shall be treated as imported at the time when they are brought within the limits of a port or brought across the boundary into Northern Ireland, and

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- (b) goods exported by means of a pipe-line shall be treated as exported at the time when they are charged into that pipe-line for exportation.
- (4) In the customs and excise Acts the expressions " shipping " and " loading " and cognate expressions, where used in relation to importation or exportation shall include, in relation to importation or exportation by means of a pipe-line, the conveyance of goods by means of the pipe-line and the charging and discharging of goods into and from the pipe-line, but subject to any necessary modifications; and any power of making regulations or other instruments relating to the importation or exportation of goods conferred by those Acts may be exercised so as to make provision for the importation or exportation of goods by those means which is different from the provision made for the importation or exportation of goods by other means.
- (5) For goods exported by means of a pipe-line the period for delivery of a specification of the goods under section 49 of the Act of 1952 shall be six days from the time when the goods are charged into the pipe-line for exportation or such longer period as the Commissioners may direct.
- (6) The Commissioners may give their approval under subsection (1) above for such period and subject to such conditions as they think fit and may at any time for reasonable cause—
 - (a) vary the terms of their approval, and
 - (b) (provided that they have given to the owner of the pipeline not less than three months' written notice of their intention so to do) revoke their approval.

Section 49 of the Pipe-lines Act 1962 shall apply to a notice required by this subsection to be served on the owner of a pipe-line as it applies to a document required by that Act to be so served.

- (7) A person who—
 - (a) contravenes subsection (1) above, or contravenes or fails to comply with a condition imposed by the Commissioners under the last foregoing subsection, or
 - (b) except with the authority of the proper officer or for just and sufficient cause, obtains access to goods which are in, or in course of conveyance by, an approved pipe-line,

shall be liable to a penalty of five hundred pounds or to imprisonment for a term not exceeding two years or to both and may be detained; and any goods in relation to which the offence was committed may be forfeited.

- (8) Where goods of any of the following descriptions—
 - (a) goods which are chargeable with a duty which has not been paid,
 - (b) goods on which duty has been repaid or remitted in whole or in part, and
 - (c) goods on which drawback has been paid,
 are moved by pipe-line, or notified to the proper officer as being goods to be moved by pipe-line, and are at any time thereafter found to be missing or deficient, then, unless it is shown to their satisfaction that the absence or deficiency can be accounted for by natural waste or other legitimate cause, the Commissioners may require the owner of the pipe-line or the proprietor of the goods to pay immediately in respect of the missing goods, or in respect of the whole or any part of the deficiency as they see fit, the amount of the duty unpaid or repaid thereon or, as the case may be, an amount equal to the drawback paid thereon; and any person who, on the written demand of an

officer, refuses to pay any sum which he is required to pay under this subsection shall in addition be liable to a penalty of double that sum.

For the purposes of this subsection any absence or deficiency in the case of goods moved by a pipe-line used for the importation or exportation of goods shall be deemed to have taken place within the United Kingdom unless the contrary is shown; and the provisions of this subsection shall have effect without prejudice to any penalty or forfeiture incurred under any other provision of this section or elsewhere in the customs and excise Acts.

- (9) Section 82(3) of the Act of 1952 (protection for Commissioners and their officers from claims for loss or damage to goods in a warehouse, or for unlawful removal from a warehouse) shall have effect so as to protect the Commissioners and their officers, save in corresponding circumstances, from claims for loss or damage to goods in a pipe-line or for unlawful removal of goods from a pipe-line, references to a pipe-line, to goods in a pipeline and to the owner of the pipe-line being substituted for references respectively to a warehouse, the warehoused goods and to the occupier of the warehouse.

- (10) In this section—

" pipe-line " has the meaning assigned thereto by section 65 of the Pipe-lines Act 1962,

" owner ", in relation to a pipe-line, means (except in the case of a pipe-line vested in the Crown which in pursuance of arrangements in that behalf is operated by another) the person in whom the line is vested and, in the said excepted case, means the person operating the line, and

" uncleared goods " means imported goods, whether or not chargeable with a duty of customs, which have not been cleared from customs charge, and in particular goods which are or are to be moved under section 22 of the Act of 1952, and dutiable goods moved from warehouse without payment of duty.

- (11) In the application of this section to Northern Ireland references to the Pipe-lines Act 1962 shall have effect as if that Act extended to Northern Ireland.

Duties relating to betting and gaming.

12 General betting duty.

- (1) Subject to the provisions of this section, on any bet made on or after 24th October 1966 which—

- (a) is made with a bookmaker in Great Britain otherwise than by way of pool betting or coupon betting ; or
- (b) is made by way of sponsored pool betting or is other wise made by means of facilities provided by the Horserace Totalisator Board ; or
- (c) is made on any event on a track by means of a totalisator on that track and on the day on which that event takes place, being a track which is, or which the Commissioners see fit to treat for the purposes of this paragraph as if it were, a licensed track,

there shall be charged a duty of excise to be known as the general betting duty.

- (2) The general betting duty in respect of any bet—

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- (a) without prejudice to any regulations made under paragraph 1 of Schedule 3 to this Act, shall be due on the making of the bet;
 - (b) shall be of an amount equal to two and a half per cent. of the amount staked ; and
 - (c) shall be paid—
 - (i) in the case of a bet with a bookmaker, and without prejudice to subsection (3) of this section, by the bookmaker;
 - (ii) in the case of a bet made as mentioned in subsection (1)(b) of this section, by the Horserace Totalisator Board or other person providing the facilities by means of which the bet is made ;
 - (iii) in the case of such a bet made by means of a totalisator as is mentioned in subsection (1)(c) of this section, by the operator, that is to say, the person who, as principal, operates the totalisator.
- (3) The general betting duty chargeable on any bet made with a bookmaker shall be recoverable jointly and severally from all or any of the following persons, namely—
- (a) that bookmaker;
 - (b) the holder of the bookmaker's permit or betting office licence relating to the business in the course of which, or the premises at which, the bet was made;
 - (c) any person responsible for the management of that business or those premises;
 - (d) where the bookmaker is a company, any director of that company.
- (4) For the purposes of the general betting duty, where a person bets on more than one contingency on the terms that, in the event of his bet being successful in respect of one contingency, his stake on the bet, or his winnings in respect of that contingency, or both, are to provide the stake in respect of another contingency, then, unless he makes his bet on both or all of those contingencies at the same time and on the terms that both his original stake and the whole of his winnings in respect of any of those contingencies are to be the stake in respect of any other contingency on which the bet is made—
- (a) he shall be treated as making a separate bet on each respectively of those contingencies and as staking on each of those separate bets the amount respectively provided for by the terms of the original bet;
 - (b) any of those separate bets which depends on the out come of another or others of them shall be treated as made if and when the conditions on which it depends are satisfied.
- (5) The aggregate amount paid by or debited to the account of the bettor for or on account of or in connection with any bet chargeable with the general betting duty shall be treated for the purposes of that duty as his stake on the bet, notwithstanding that his winnings (if any) are to be computed on part only of that amount, or that part of it is not to be returned to him in the event of his winning, and no deduction shall be made for other benefits secured by the bettor in paying that amount, or for the expenses of any person on account of the duty or otherwise, or for any other matter.
- (6) The pool betting duty shall not be chargeable on any bet made as mentioned in subsection (1)(c) of this section on or after 24th October 1966, and accordingly as from that date—
- (a) except in relation to a bet made before that date, section 1(1) of the Betting Duties Act 1963 (which charges the pool betting duty) shall have effect as if for the words " other than sponsored pool betting " there were substituted the words " which are not chargeable with the general betting duty "; and

- (b) paragraph 4(a)(i) of Schedule 5 to the Betting, Gaming and Lotteries Act 1963 (which relates to the disposal of amounts staked by means of a totalisator on a dog racecourse) for the words " pool betting duty " there shall be substituted the words " general betting duty ";

and as from that date bookmakers' licence duty shall cease to be charged.

13 Gaming licence duty.

- (1) There shall be charged a duty of excise on a licence (to be known as a gaming licence) authorising the use of premises specified in the licence for the purpose of gaming—

- (a) by way of bingo only ; or
(b) by way of bingo or any other game to which this section for the time being applies ;

and, subject to subsection (4) of this section, on and after 1st October 1966 no premises situated in Great Britain or within the limits of the territorial waters of the United Kingdom adjacent to Great Britain shall be used for the purpose of gaming by way of any game to which this section for the time being applies unless a provider of the premises is the holder of the appropriate gaming licence in respect of those premises which is for the time being in force.

- (2) Subject to paragraph 8 of Schedule 3 to this Act, the amount of the duty under this section on a gaming licence in respect of any premises shall be determined in accordance with the following Table:—

TABLE

Description of premises	Amount of duty	
	On licence for bingo only	On licence for all games
1. Premises other than—	£ 100	£ 500
(a) premises which for rating purposes constitute or are comprised in a hereditament of a rateable value exceeding £1,000;		
(b) premises consisting of or comprised in a vessel.		
2. Premises—	1,000	5,000

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Description of premises	Amount of duty	
	On licence for bingo only	On licence for all games
(a) which for rating purposes constitute or are comprised in a hereditament of a rateable value exceeding £1,000 but not exceeding £3,000; or (b) which consist of or are comprised in a vessel.		
3. Premises which for rating purposes constitute or are comprised in a hereditament of a rateable value exceeding £3,000.	1,000	50,000

(3) Subject to paragraphs 12 and 13 of Schedule 3 to this Act, a gaming licence shall expire at the end of 30th September next after the date when it is granted.

(4) A gaming licence shall not be required—

- (a) for any gaming carried on both in a private dwelling and on a domestic occasion ;
- (b) for any gaming carried on in such circumstances that, by virtue of section 48 or 49 of the Betting, Gaming and Lotteries Act 1963, section 32 of that Act does not apply thereto;
- (c) for gaming by way of bingo in such circumstances that section 37 of that Act applies thereto ;
- (d) for gaming by way of bingo carried on as an activity of a club where—
 - (i) the subscription for membership of the club does not exceed one pound a year ; and
 - (ii) not more than one payment by way of a charge for admission to any premises constituting or including the place at which the gaming is carried on falls to be made in order to enable a person to take part in the gaming, and that payment does not exceed sixpence; and

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- (iii) no other payment is required to be or have been made, and no obligation to make any other payment is required to be incurred, in order to enable a person to take part in the gaming.
- (5) Without prejudice to subsections (6) and (7) of this section, the games in addition to bingo to which this section applies are baccarat, big six, blackjack, boule, chemin de fer, chuck-a-luck, craps, crown and anchor, faro, faro bank, hazard, poker dice, pontoon, roulette, trente et quarante, vingt-et-un, and wheel of fortune.
- (6) The Treasury may by order made by statutory instrument add to the games mentioned in subsection (5) of this section any game not for the time being mentioned therein if it appears to the Treasury proper so to do for the protection of the revenue, having regard to the character of the game and the circumstances in which it is played; but a statutory instrument containing an order under this subsection shall be laid before the Commons House of Parliament after being made, and the order shall cease to have effect at the end of twenty-eight days after the day on which it is made (but without prejudice to anything previously done under the order or to the making of a new order) unless at some time before the end of those twenty-eight days the order is approved by resolution of that House ; and, in reckoning for the purposes of this subsection any period of twenty-eight days, no account shall be taken of any time during which Parliament is dissolved or prorogued or during which both Houses are adjourned for more than four days.
- (7) Any reference in this section or in any order under subsection (6) thereof to a particular game shall be taken to include a reference to any game (by whatever name called) which is essentially similar to that game; and in proceedings relating to the gaming licence duty under the excise Acts an averment in any process that a particular game is essentially similar to another particular game shall, until the contrary is proved, be sufficient evidence that it is so.

14 Gaming machine licence duty.

- (1) There shall be charged a duty of excise on a licence (to be known as a gaming machine licence) authorising the person to whom it is granted to cause or permit a gaming machine of the type appropriate to the rate of duty charged to be made available for play on premises specified in the licence; and, subject to subsection (2) of this section, on and after 1st October 1966 no gaming machine shall be brought onto or kept on any premises on which gaming by means of such a machine takes place, being premises situated in Great Britain or within the limits of the territorial waters of the United Kingdom adjacent to Great Britain, unless for each such machine on the premises (whether or not in a condition to be made available for play) there is in force and on those premises a gaming machine licence in respect of those premises which is, in accordance with subsection (3) of this section, applicable to that machine.
- (2) A gaming machine licence shall not be required in respect of any premises where—
 - (a) any gaming machine on those premises is there in such circumstances that, by virtue of section 49 or 50 of the Betting, Gaming and Lotteries Act 1963, section 33 of that Act does not apply to gaming by means thereof; or
 - (b) any gaming machine on those premises is there for the purposes only of an entertainment to which section 43 of that Act applies and the requirements set out in section 49(3)(a) to (d) and (4) of that Act are complied with while it is on those premises.

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- (3) A gaming machine licence in respect of any premises shall be regarded as applicable to a particular gaming machine on those premises only if—
- (a) it was charged with duty under this section of the amount which, in accordance with subsection (4) of this section, is appropriate to that machine ; and
 - (b) it was granted—
 - (i) in the case of a machine owned by a person who controls the use of such machines while on those premises, to that person;
 - (ii) in any other case, to the supplier of the machine.
- (4) The amount of the duty under this section—
- (a) on a licence relating to a gaming machine in the case of which the game played by means thereof is made playable by the insertion into the machine of a coin or coins lawfully current in the United Kingdom of a denomination or aggregate denomination not exceeding threepence, shall be £37 10s.;
 - (b) in any other case, shall be £75.
- (5) Subject to paragraph 13 of Schedule 3 to this Act, a gaming machine licence shall expire at the end of 30th September falling between three and fifteen months after the date when it is granted.

15 Additional or supplementary provisions as to duties on betting or gaming.

- (1) Where particulars of an intended bet on which the general betting duty or pool betting duty would be chargeable and the stake on that bet are collected for transmission to the person by whom that duty would fall to be paid by some other person, whether or not a bookmaker, who holds himself out as available for so collecting and transmitting them, but are in fact not so transmitted, the bet shall be deemed to have been made but the duty in respect thereof shall be paid by that other person.
- (2) Subject to subsection (3) of this section—
- (a) section 2 of the Betting Duties Act 1963 (which prohibits certain activities with a view to protecting the revenue derived from the pool betting duty) shall have effect for the purposes of the general betting duty as well as the pool betting duty and, in addition to the bets to which it already applies, shall apply to all bets made on or after 24th October 1966 with a bookmaker outside Great Britain, whether or not made by way of pool betting or coupon betting; and
 - (b) any bookmaker in Great Britain who on or after 24th October 1966 makes or offers to make with a bookmaker outside Great Britain any bet to which the said section 2 applies shall be guilty of an offence under that section.
- (3) The said section 2 shall not apply—
- (a) to any bet—
 - (i) made by way of pool betting or coupon betting and otherwise than by means of a totalisator; or
 - (ii) made with a bookmaker otherwise than by way of pool betting or coupon betting,
 where the promoter of the pool betting or coupon betting or, as the case may be, the bookmaker is in Northern Ireland or the Isle of Man and the bet is such as to be chargeable with a duty imposed by or under an Act of the Parliament of Northern Ireland or, as the case may be, of Tynwald which corresponds to,

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- and is chargeable on the bet at a rate not less than the appropriate rate of, pool betting duty or, as the case may be, general betting duty ; or
- (b) to any bet made by means of a totalisator situated in a country outside Great Britain on a horse race taking place in that country; or
- (c) to any bet in respect of an event taking place outside Great Britain made by a bookmaker in Great Britain—
- (i) by means of a totalisator situated outside Great Britain, or
- (ii) with a bookmaker outside Great Britain,
- if it is shown that bets in respect of that event have been made in Great Britain with the first-mentioned bookmaker by other persons.
- (4) For the avoidance of doubt, it is hereby declared that nothing contained in or done under the provisions of the Betting Duties Act 1963, sections 12 to 14 of this Act or subsection (1) of this section shall make lawful anything which would be unlawful apart from those provisions.
- (5) The supplemental provisions set out in Schedule 3 to this Act shall have effect with respect to the duties relating to betting and gaming.
- (6) In this section and in the said sections 12 to 14 and Schedule 3, the following expressions have the following meanings respectively, that is to say—
- " betting agency permit ", " betting office licence ", " bookmaker ", " bookmaker's permit ", " gaming ", " licensed betting office ", " licensed track ", " sponsored pool betting ", " totalisator " and " track " have the same meanings respectively as for the purposes of the Betting, Gaming and Lotteries Act 1963 ;
- " coupon betting " has the same meaning as for the purposes of section 7(3) of the Finance Act 1964 ;
- " gaming machine " has the same meaning as for the purposes of section 33 of the Betting, Gaming and Lotteries Act 1963;
- " hereditament ", in relation to Scotland, means lands and heritages;
- " pool betting ", " promoter " and " winnings " have the same meanings respectively as for the purposes of the Betting Duties Act 1963 ;
- " premises " includes any place whatsoever and any means of transport;
- " provider ", in relation to any premises used for gaming, means any person having a right to control the admission of persons to those premises, whether or not he also has a right to control the admission of persons to the gaming;
- " rateable value ", in relation to any hereditament, means (without prejudice to paragraph 8 of Schedule 3 to this Act) the rateable value shown in the valuation list as for the time being in force ;
- " supplier ", in relation to a gaming machine on any premises, means—
- (a) subject to paragraph (b) of this definition, the person by whom the machine was supplied to the person who controls its use while on those premises; or
- (b) if the interest in that machine of the person by whom it was so supplied has subsequently been transferred to some other person, the person for the time being entitled to that interest;
- " valuation list ", in relation to Scotland, means valuation roll.

Surcharges and rebates in respect of revenue duties.

16 Continuation of powers under s. 9 of Finance Act 1961.

The period after which orders of the Treasury under section 9 of the Finance Act 1961 may not be made or continue in force (which, by section 4 of the Finance Act 1965, was extended until the end of August 1966) shall extend until the end of August 1967 or such later date as Parliament may hereafter determine.

PART II

INCOME TAX

17 Charge of income tax for 1966-67.

Income tax for the year 1966-67 shall be charged at the standard rate of 8s. 3d. in the pound, and in the case of an individual whose total income exceeds £2,000 at such higher rates in respect of the excess as Parliament may hereafter determine.

18 Surtax rates for 1965-66.

Income tax for the year 1965-66 shall be charged, in the case of an individual whose total income exceeded £2,000, in respect of the excess at rates in the pound which respectively exceed the standard rate by the amounts by which the higher rates for the year 1964-65 exceeded the standard rate for that year.

19 Exemption from tax of social security benefit.

Benefit under any Act of the present Session establishing a Ministry of Social Security and providing for benefits eligibility for which is to be determined by a Supplementary Benefits Commission established by the Act, or under any Act of the Parliament of Northern Ireland providing for corresponding benefits, shall not be regarded as income for any income tax purposes.

20 Exclusion from relief of interest on Post Office investment deposits.

In section 9(1) of the Finance Act 1956 (relief from income tax on certain savings bank interest) the reference to deposits with the Post Office savings bank shall not include a reference to investment deposits as defined in section 1(2) of the Post Office Savings Bank Act 1966.

21 Personal reliefs for non-residents.

- (1) This section has effect as respects the application of the proviso to section 227(2) of the Income Tax Act 1952 (under which certain non-residents are eligible for the personal reliefs from income tax subject to an adjustment made by reference to the amount of income tax payable on certain assumptions) to an individual whose income includes any dividends, interest, royalties or other profits (in this section referred to as income eligible for double taxation relief) which are chargeable to income tax but in respect of which relief (other than credit) is available under an Order in Council under section 347 of the Income Tax Act 1952, or under section 31 of this Act, so as to limit

the rate of income tax so chargeable (but not so as to confer an exemption and make it income which is not subject to income tax charged in the United Kingdom).

- (2) Subject to subsection (3) below, for the purposes of the said proviso—
- (a) in computing the amount of the income tax payable by the individual the tax chargeable in respect of the income eligible for double taxation relief shall be disregarded,
 - (b) in computing the amount of his income subject to income tax charged in the United Kingdom the income eligible for double taxation relief shall be disregarded, and
 - (c) in computing his total income from all sources, including income which is not subject to income tax charged in the United Kingdom, income eligible for double taxation relief shall be included and the income tax which would be chargeable on that total income shall be computed without regard to the double taxation relief available in respect of the income eligible for double taxation relief,

and accordingly where this subsection applies the amount of the tax chargeable in respect of the income eligible for double taxation relief shall not be affected by the said section 227(2).

- (3) This section shall not operate so as to make the tax payable by an individual for a year of assessment higher than it would have been if the double taxation relief had not been available.
- (4) This section has effect as respects the year 1966-67 and subsequent years of assessment.

22 India, Pakistan and Burma pensions.

- (1) Section 40(1)(a) of the Finance Act 1956 (which exempts from income tax a pension paid under the authority of the Pensions (India, Pakistan and Burma) Act 1955 if it is the income of a person not resident in the United Kingdom, but not the part of the pension paid by virtue of the Pensions (Increase) Act 1962 or earlier Pensions (Increase) Acts) shall have effect subject to the provisions of this section.
- (2) The said section 40(1) shall not apply to so much of any pension of the description in paragraph (a) thereof as is paid by virtue of the application to the pension of the Pensions (Increase) Act 1965 or of any Act passed after this Act for purposes corresponding to the purposes of the said Act of 1965.

23 Surtax on income under certain settlements: exceptions to s. 415(1) of Act of 1952.

- (1) Notwithstanding section 12(1) of the Finance Act 1965 (which extends section 415(1) of the Income Tax Act 1952 so as to treat certain income arising under a settlement as being for surtax purposes the income of the settlor) the said section 415(1) shall not apply to income consisting of annual payments made under a partnership agreement to or for the benefit of a former member, or the widow or dependants of a deceased former member, of the partnership, being payments made under a liability incurred for full consideration.

- (2) Notwithstanding the said section 12(1), the said section 415(1) shall not apply to income consisting of annual payments made by an individual, in connection with the acquisition by him of the whole or part of a business—
- (a) to or for the benefit of the individual from whom it is acquired or, if he is dead, to or for the benefit of his widow or dependants, or
 - (b) if the acquisition was from a partnership, to or for the benefit of a former member, or the widow or dependants of a deceased former member, of that or any preceding partnership, or to or for the benefit of an individual from whom the business or part was acquired by that or any preceding partnership or, if he is dead, to or for the benefit of the widow or dependants of such an individual, being payments made under a liability incurred for full consideration.
- (3) Payments made in respect of any individual under a liability incurred in connection with an acquisition from a partnership shall only be excluded from the operation of the said section 415(1) by virtue of paragraph (b) of the last foregoing subsection if, and to the extent that, they are made in substitution for, or matched by reductions in, other payments which would themselves be excluded from its operation.
- (4) Where the right of a former member of a partnership to payments falling due not more than ten years after he ceased to be a member of that partnership has devolved on his death, subsections (1) and (2) above shall apply to the payments as they would apply if he had not died.
- (5) Notwithstanding the said section 12(1), the said section 415(1) shall not apply to income arising under a settlement made by one party to a marriage by way of provision for the other after the dissolution or annulment of the marriage, or while they are separated under an order of a court or under a separation agreement or in such circumstances that the separation is likely to be permanent, being income payable to or applicable for the benefit of that other party.
- (6) For the purposes of this section—
- (a) " former member ", in relation to a partnership, means an individual who has ceased to be a member of that partnership on retirement or death,
 - (b) a partnership becomes a " preceding partnership " of another if it transfers its business or part of its business to another and one or more individuals are members of both, and any preceding partnership of the transferor by reference to any part of the business transferred shall also become a preceding partnership of the transferee.
- (7) This section shall be in substitution for section 12(3) of the Finance Act 1965, and shall have effect for the year 1965-66 as well as for later years of assessment.

24 Dividend increases etc. in 1965-66: exclusion of surtax relief under s. 238 of Act of 1952.

- (1) Relief shall not be given under section 238 of the Income Tax Act 1952 (relief from surtax where income attributable to a period exceeding a year is received in a year) in respect of any dividends which apart from that section fall to be treated as income of the year 1965-66, being dividends paid by a company resident in the United Kingdom and not being preference dividends.
- (2) In this section—
- " company " includes any body corporate,

" preference dividends " means dividends paid on shares which do not carry any right to dividends other than dividends at a rate per cent. of the nominal value of the shares which is fixed, or fluctuates only with the standard rate of income tax,

" shares " includes stock.

25 Directors and employees of companies granted rights to acquire shares.

(1) Where on or after 3rd May 1966 a person realises a gain by the exercise, or by the assignment or release, of a right to acquire shares in a body corporate obtained by that person as a director or employee of that or any other body corporate he shall be chargeable to income tax under Schedule E on an amount equal to the amount of his gain as computed in accordance with this section.

(2) Subject to subsection (8) below—

(a) the gain realised by the exercise of any such right at any time shall be taken to be the difference between the amount that a person might reasonably expect to obtain from a sale in the open market at that time of the shares acquired and the amount or value of the consideration given whether for them or for the grant of the right, and

(b) the gain realised by the assignment or release of any such right shall be taken to be the difference between the amount or value of the consideration for the assignment or release and the amount or value of the consideration given for the grant of the right,

(a just apportionment being made of any entire consideration given for the grant of the right to acquire those shares and other shares or otherwise for the grant of the right to acquire those shares and for something besides) :

Provided that neither the consideration given for the grant of the right nor any such entire consideration shall be taken to include the performance of any duties in or in connection with the office or employment by reason of which the right was granted, and no part of the amount or value of the consideration given for the grant shall be deducted more than once under this subsection.

(3) Subject to subsection (4) below a person shall, in the case of a right granted by reason of his office or employment, be chargeable to tax under this section in respect of a gain realised by another person—

(a) if the right was granted to the other person, or

(b) if the other person acquired the right otherwise than by or under an assignment made by way of a bargain at arm's length, or if the two are connected persons at the time when the gain is realised,

but in a case within paragraph (b) of this subsection the gain realised shall be treated as reduced by the amount of any gain realised by a previous holder on an assignment of the right.

(4) A person shall not be chargeable to tax by virtue of subsection (3)(b) above in respect of any gain realised by another person if the first-mentioned person was divested of the right by operation of law on his bankruptcy or otherwise, but the other person shall be chargeable to tax in respect of the gain under Case VI of Schedule D.

(5) If a right to acquire shares in a body corporate is assigned or released in whole or in part for a consideration which consists of or comprises another right to acquire shares in that or any other body corporate, that right shall not be treated as consideration for

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the assignment or release, but this section shall apply in relation to it as it applies in relation to the right assigned or released and as if the consideration for its acquisition did not include the value of the right assigned or released but did include the amount or value of the consideration given for the grant of the right assigned or released so far as that has not been offset by any valuable consideration for the assignment or release other than the consideration consisting of the other right.

- (6) If as a result of two or more transactions a person ceases to hold a right to acquire shares in a body corporate and he or a connected person comes to hold another right to acquire shares in that or any other body corporate (whether or not acquired from the person to whom the other right was assigned) and any of those transactions was effected under arrangements to which two or more persons holding rights in respect of which tax may be chargeable under this section were parties, those transactions shall be treated for the purposes of the last foregoing subsection as a single transaction whereby the one right is assigned for a consideration which consists of or comprises the other right.

This subsection applies in relation to two or more transactions whether they involve an assignment preceding, coinciding with, or subsequent to, an acquisition.

- (7) This section applies in relation to rights granted at any time in the year 1965-66 or any earlier year of assessment as well as in relation to rights granted in any later year of assessment, but subject to the following subsection.
- (8) The amount of the gain realised at any time by the exercise, or by the assignment or release, of a right to acquire shares granted before 3rd May 1966 shall not exceed the difference between the market value of those shares at that time and their market value on 3rd May 1966 (and no gain shall be so realised unless the later value exceeds the earlier value).
- (9) For the purposes of this section a right to acquire shares is obtained by a person as a director or employee of a body corporate—
- (a) if it is granted to him by reason of his office or employment as a director or employee of the body corporate who is chargeable to tax in respect of that office or employment under Case I of Schedule E, or
 - (b) if the right is assigned to him and was granted by reason of any such office or employment of his to some other person,

and paragraph (a) above shall apply to a right granted by reason of a person's office or employment after he has ceased to hold it if it would apply to a right so granted in the last year of assessment in which he did hold it.

- (10) For the purposes of this section—
- (a) references to the release of a right include references to agreeing to the restriction of the exercise of the right,
 - (b) any question whether a person is connected with another shall be determined in accordance with paragraph 20 of Schedule 9 to the Finance Act 1962,
 - (c) "director" and "employee" have the meanings given by section 390(1) of the Income Tax Act 1952,
 - (d) in so far as the context permits, "shares" includes stock,
- and this section shall apply in relation to any securities (as defined in paragraph 7(1) of Schedule 11 to the Finance Act 1965) issued by a body corporate as it applies in relation to shares in the body corporate.

- (11) Schedule 4 to this Act shall apply for the purposes of this section and shall be construed as if contained in this section.

PART III

CORPORATION TAX ACTS

26 Rate of corporation tax for financial years 1964 and 1965, and provisional collection of corporation tax.

- (1) For the financial years 1964 and 1965 the rate at which corporation tax is charged shall be 40 per cent.
- (2) Section 49(6) of the Finance Act 1965 (provisional collection of corporation tax) shall have effect subject to the following amendments (under which the latest date for a ways and means resolution fixing the rate of corporation tax for the financial year last ended becomes the same as is, under section 2 of the Provisional Collection of Taxes Act 1913, the latest date for such a resolution imposing income tax for the current year of assessment, and which exclude the conditions in that subsection concerning the agreement of the Commons House of Parliament to such resolutions)—
- (a) the words " and the Resolution is agreed to by the House " shall cease to have effect,
 - (b) for the words " more than one month " there shall be substituted the words " later than 5th May next ", and
 - (c) the words " and agreed to " shall cease to have effect.

27 Amendments of Corporation Tax Acts.

Schedule 5 to this Act, which contains amendments of the Corporation Tax Acts relating to deductions allowable in computing profits, capital gains, annuity business of assurance companies, close companies, the definition of company distributions and other matters, and Schedule 6 to this Act, which contains administrative provisions for the Corporation Tax Acts, shall have effect.

28 Dividends paid out of pre-1966-67 profits.

- (1) Subject to this section, in ascertaining under section 85 of the Finance Act 1965 the one year surplus of a company which is a member of a group of companies, there shall be excluded from the dividends taken into account under subsection (3)(a) of that section any dividends paid by another member of the group, and—
- (a) references in subsections (5) and (8) of that section to the income tax at the said subsection (3)(a) shall be taken as references to the said subsection (3) (a) as restricted by the foregoing provisions of this section,
 - (b) in arriving at the fraction defined at the end of the said subsection (3) (income tax for 1965-66 divided by that plus corporation tax for the financial year 1965) income tax on dividends so excluded shall be excluded from the numerator and denominator, and
 - (c) subsection (4) of the said section 85 (which is superseded by this subsection) shall not apply.

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- (2) If the one year surplus of a company which is a member of a group of companies as determined under subsection (1) above is less than the amount on which the repayments of income tax under the said section 85 by reference to a one year surplus would equal the income tax paid by the company on distributions made by it in the year 1966-67 but before 3rd May 1966, then subsection (1) above shall not apply, but the company's one year surplus shall be determined as if in subsection (2)(a) of the said section 85 the reference to distributions made by the company in the year 1966-67 were restricted to distributions made before 3rd May 1966.
- (3) For the purposes of this section a dividend (including a capital dividend) paid on or after 3rd May 1966 shall be regarded as having been paid before that date if—
- (a) it was declared by the company in general meeting before that date, or
 - (b) it was declared in general meeting after that date but in accordance with a recommendation of the directors and the directors' decision to make that recommendation was, with the authority of the directors, publicly announced before that date, or
 - (c) it was paid in accordance with a decision of the directors and that decision was, with their authority, publicly announced before that date.
- (4) Part I of Schedule 7 to this Act shall have effect as respects the three year surplus under the said section 85 of a company which is a member of a group of companies and for the purposes of this section and paragraphs 1 to 4 of that Schedule—
- (a) two companies shall be deemed to be members of a group of companies if one is the subsidiary of the other or both are subsidiaries of a third company.
 - (b) " subsidiary " has the meaning assigned to it for certain purposes of the profits tax by section 42 of the Finance Act 1938, and subsections (2) and (3) of that section shall apply as they applied for purposes of that section,
- and the provisions of the said section 85 relating to the one year surplus shall have effect subject to the provisions of Part II of Schedule 7 to this Act.
- (5) This section and the said Schedule shall have effect as if they had been enacted when the Finance Act 1965 was enacted.

29 Registered friendly societies carrying on life or endowment business.

- (1) Section 440(1) of the Income Tax Act 1952 (which, as applied, and extended to tax on chargeable gains, by the Corporation Tax Acts confers an exemption from tax on friendly societies) shall not apply to profits arising from life or endowment business unless that business satisfies the conditions in Part I of Schedule 8 to this Act, and so far as the said section 440(1) relates to profits arising from life or endowment business it shall not exempt—
- (a) a friendly society registered after 31st December 1957 which at any time in the period of three months ending on 3rd May 1966 entered into any transaction in return for a single premium, being a transaction forming part of its life or endowment business, or
 - (b) subject to subsections (2) and (3) below, a friendly society registered after 3rd May 1966, or a friendly society which was registered in the period of three months ending on 3rd May 1966 but which at no time earlier than 3rd May 1966 carried on any life or endowment business.
- (2) Subsection (1)(b) above shall not apply to a friendly society if, by the rules of the society, the only life or endowment business which it may carry on is—

- (a) industrial assurance business as defined in section 1(2) of the Industrial Assurance Act 1923,
 - (b) assurance affording provision for sickness or other infirmity, whether bodily or mental, which is also assurance for a gross sum independent of sickness or other infirmity, where not less than sixty per cent. of the amount of the premiums is attributable to the provision afforded during sickness or other infirmity, and no bonus or addition may be declared upon the assurance of the gross sum, or
 - (c) contracts exclusively for the assurance of a gross sum or annuity payable on death to or for the benefit of the deceased's widow or dependent child,

or business which falls within any two or all three of paragraphs (a), (b) or (c) above taken together.
- (3) Subsection (1)(b) above shall not apply to any part of a friendly society's tax exempt life or endowment business which it acquires by way of transfer of engagements or amalgamation from another friendly society, and which consists of business relating to contracts made not later than the time of transfer or amalgamation.
- (4) The limits of £500 and £104 in the proviso to section 8(1), and in section 41, of the Friendly Societies Act 1896 (which restrict the life assurance and annuity business which a registered friendly society may transact either generally or with any one person) shall be increased in accordance with Part II of Schedule 8 to this Act, and so much of section 440(1) of the Income Tax Act 1952 as applies limits of those amounts shall cease to have effect, but the said section 440(1) shall not apply to profits arising from life or endowment business consisting of the assurance of gross sums exceeding £500 or of the granting of annuities of annual amounts exceeding £104.

In applying the said limits of £500 and £104 any bonus or addition declared upon assurance of a gross sum or annuity shall be disregarded.
- (5) Subject to the said section 440(1) of the Income Tax Act 1952, the Corporation Tax Acts shall apply to the life or endowment business carried on by registered friendly societies in the same way as they apply to mutual life assurance business carried on by assurance companies, so however that the Treasury may by regulations contained in a statutory instrument subject to annulment in pursuance of a resolution of the Commons House of Parliament provide that those Acts as so applied shall have effect subject to such modifications and exceptions as may be prescribed by the regulations, and those regulations may in particular require any part of any business to be treated as a separate business.
- (6) If a friendly society registered not later than 3rd May 1966 begins after that date to carry on tax exempt life or endowment business or, in the opinion of the Chief Registrar of Friendly Societies, begins to carry on tax exempt life or endowment business on an enlarged scale, or of a new character, and it appears to the Chief Registrar, having regard to the restrictions placed on friendly societies registered after the said date by subsection (1)(b) of this section, that for the protection of the revenue it is expedient to do so, he may serve a notice on the friendly society referring to the provisions of this subsection and stating that he is considering the question whether, for the protection of the revenue, it is expedient to give a direction that, as from such date as may be specified in the notice, being the date when in the opinion of the Chief Registrar the relevant change in the society's activities took place, the society is to be treated as one within subsection (1)(b) of this section, and—
 - (a) he shall consider any representations or undertakings made or offered to him by the friendly society within the period of one month from service of the

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notice, and if the society so requests shall afford it an opportunity of being heard by him not later than three weeks after the end of that period of one month,

- (b) if after consideration of any such representations or undertakings, he remains of opinion that it is expedient to do so, direct that the society shall, subject to any further direction given by him cancelling that direction, be treated for the purposes of this section as a friendly society registered after 3rd May 1966, but subject to the like right of appeal as is conferred by section 77(6) of the Friendly Societies Act 1896 on cancellation of registration.

In the application of this subsection to Scotland for references to the Chief Registrar of Friendly Societies there shall be substituted references to the assistant registrar for Scotland.

- (7) Nothing in this section shall affect the exemption conferred by section 440(1) of the Income Tax Act 1952 on unregistered friendly societies.

- (8) In this section and Schedule 8 to this Act " life or endowment business " means any business within section 8(1)(b) or (d) or (dd) of the Friendly Societies Act 1896 (life insurance and endowments and insurance of money payable on the duration of a life for a specified period) and any other business within the definition of " life assurance business" in section 33(1) of the Insurance Companies Act 1958 but—

- (a) shall include business within section 8(1)(a) of the Friendly Societies Act 1896 for the relief or maintenance of any person in old age (meaning any age after fifty),
- (b) shall not include the granting of any such annuities as are referred to in section 26(1) of the Finance Act 1956 (retirement annuities, etc.),
- (c) shall not include the assurance of any annuity the consideration for which consists of sums obtainable on the maturity, or on the surrender, of any other policy of assurance issued by the friendly society, being a policy of assurance forming part of the tax exempt life or endowment business of the friendly society.

- (9) In this section and the said Schedule—

" tax exempt life or endowment business " means life or endowment business other than business profits arising from which are excluded from section 440(1) of the Income Tax Act 1952 by subsection (4) of this section.

" policy ", in relation to life or endowment business, includes an instrument evidencing a contract to pay an annuity upon human life,

and references in this section and the said Schedule to a friendly society include references to any branch of that friendly society.

- (10) It is hereby declared that for the purposes of this section and the said Schedule a registered friendly society formed on the amalgamation of two or more friendly societies shall be treated as different from the amalgamated societies:

Provided that—

- (a) the society shall be treated as registered not later than 3rd May 1966 if at the time of the amalgamation all the friendly societies amalgamated were societies which, subject to satisfying the conditions of Part I of Schedule 8 to this Act, were eligible for the exemption conferred by section 440(1) of the Income Tax Act 1952 in respect of life or endowment business and at least one of them was a society not within subsection (1)(b) of this section,

- (b) in determining, as respects a society resulting from an amalgamation and coming within subsection (6) of this section by virtue of proviso (a) above, the questions in that subsection in the period immediately following the amalgamation, the activities of the amalgamated societies in the period immediately preceding the amalgamation shall be treated as if they were the activities then being carried on by the society resulting from the amalgamation.
- (11) This section has effect for corporation tax for the financial year 1966 and later financial years and for income tax for the year 1966-67 and later years of assessment, but nothing in this section shall withdraw exemption under section 440(1) of the Income Tax Act 1952 for profits arising from any part of a life or endowment business relating to contracts made not later than 3rd May 1966.
- (12) In the application of this section and the said Schedule to a friendly society which is for the time being registered or deemed to be registered in Northern Ireland under the enactments relating to friendly societies in Northern Ireland—
 - (a) for references to section 1(2) and section 24 of the Industrial Assurance Act 1923 there shall be substituted references to section 1(2) and section 24 respectively of the Industrial Assurance Act (Northern Ireland) 1924,
 - (b) for references to the Friendly Societies Act 1896 or to any provision of that Act there shall be substituted references to that Act or provision as it applies in Northern Ireland,
 - (c) for the reference in paragraph 1(1)(c) of the said Schedule to section 3 of the Industrial Assurance and Friendly Societies Act 1929 there shall be substituted a reference to the Industrial Assurance and Friendly Societies Act (Northern Ireland) 1929,
 - (d) for the reference to section 33(1) of the Insurance Companies Act 1958 there shall be substituted a reference to section 1(a) of the Assurance Companies Act 1909,
 - (e) for references to the Chief Registrar of Friendly Societies there shall be substituted references to the registrar having corresponding functions under the law of Northern Ireland, and so that any power exercisable by the Chief Registrar with the consent of the Treasury shall be exercisable by that registrar with the consent of the Ministry of Commerce of the Government of Northern Ireland,

and nothing in this section or the said Schedule shall restrict the powers of the Parliament of Northern Ireland to make laws with respect to any matter with respect to which that Parliament has power to make laws.

Double taxation relief.

30 Unilateral relief for underlying tax etc.

- (1) Paragraph 4 of Part I of Schedule 17 to the Income Tax Act 1952 (which as extended by section 64 of the Finance Act 1965 affords unilateral relief from income tax and corporation tax in respect of dividends paid by companies resident in the Commonwealth territories, for overseas taxation on their profits) shall be repealed as respects any dividend paid (in the sense of section 89(4) of the Finance Act 1965) after 5th April 1966, and section 64(2)(b) of the Finance Act 1965 (which provides for the prospective repeal of the said paragraph 4) shall also be repealed.

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- (2) Relief from income tax for the year 1968-69 or later years of assessment, or from corporation tax for the financial year 1968 or later years, shall not be given by allowing credit under paragraph 1 of Part I of the said Schedule 17 for overseas tax on a dividend paid by a company resident in a territory outside the United Kingdom unless—
- (a) the overseas tax is directly charged on the dividend, whether by charge to tax or deduction of tax at source or otherwise, and the whole of it represents tax which neither the company nor the recipient would have borne if the dividend had not been paid, or
 - (b) the dividend is paid to a company within paragraph 3 in the said Part I (that is to say a company resident in the United Kingdom which controls, directly or indirectly, not less than a fraction of the voting power in the company paying the dividend, the fraction being, by virtue of paragraph 4(3) of Schedule 16 to the Finance Act 1965, one-tenth as respects dividends paid by a company resident in the Commonwealth territories and one-quarter in other cases), or
 - (c) the dividend is paid to a company to which paragraph 5(1) of the said Schedule 16 (companies carrying on foreign insurance business) applies and is a dividend of the kind described in that sub-paragraph.

31 Transitory provisions for company dividends paid to non-residents.

- (1) This section applies to dividends paid in the period comprising the years 1966-67 and 1967-68 to persons resident in the overseas territories with the Governments of which the double taxation agreements mentioned in Schedule 9 to this Act are made, but the Treasury may by order contained in a statutory instrument, of which a draft has been laid before and approved by the Commons House of Parliament, extend or further extend that period in relation to dividends paid to residents in any of those territories specified in the order (or in relation to dividends paid to residents in all those territories), and the period as so extended or further extended may include part only of a year of assessment.
- (2) Subject to this section and the said Schedule, the amount of income tax under Schedule F chargeable in respect of a dividend to which this section applies shall be subject to such limitation or exemption, if any, as would apply under the relevant agreement in the converse case (that is in the case of a dividend paid by a company resident in the overseas territory to a person resident in the United Kingdom, and assuming that all the circumstances of that case are the exact converse of those of the actual case) so as to afford relief from any description of tax in the overseas territory chargeable on the dividend in that converse case.
- (3) If without this subsection subsection (2) above would attach a condition making the limitation or exemption dependent on the recipient of the dividend being subject to tax where he resides in respect of the dividend, that condition shall not apply if he is not so subject to tax by reason only of a provision in an agreement having effect under section 347 of the Income Tax Act 1952 which in all or any circumstances confers exemption from all tax where he resides in respect of dividends.
- (4) Any limitation (as well as any exemption) applied by subsection (2) above to the amount of income tax under Schedule F chargeable in respect of a dividend—
- (a) shall be included in the references to exemption from income tax in section 65(5) of the Finance Act 1965 (dividend stripping, etc.), and
 - (b) where the recipient of the dividend is not subject to tax where he resides in respect of the dividend, shall for the purposes of section 23 of the Finance

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Act 1959 (certain transactions involving purchase and sale of securities) be included in the references to exemption from income tax in section 25(1) of that Act.

- (5) If any agreement, or any provision in an agreement, ceases to have effect, this section and Schedule 9 to this Act shall cease to have effect in relation to that agreement or that provision as respects dividends paid after the time when that agreement ceases to have effect for the purposes of income tax (other than surtax), or as the case may be as respects dividends paid after the time when that provision ceases to have effect.
- (6) If effect is given by an Order in Council to an amending agreement which, as regards dividends paid after a specified time, affords (in any circumstances) relief from income tax at the standard rate under Schedule F (other than relief corresponding to that afforded by section 227(2) of the Income Tax Act 1952) this section and Schedule 9 to this Act shall, as regards dividends paid after that time, cease to have effect in relation to the agreement which is amended.
- (7) In determining for the purposes of section 347(4) of the Income Tax Act 1952 (under which effect may be given to double taxation agreements giving retrospective relief) whether retrospective provisions are provisions for relief the relief afforded by this section, and the withdrawal of that relief by virtue of the last foregoing subsection in consequence of the amendment of the relevant agreement, shall be disregarded.
- (8) The obligations as to secrecy imposed by the Income Tax Acts and the Corporation Tax Acts upon persons employed in relation to Inland Revenue shall not prevent the disclosure to the authorised officer of the Government of an overseas territory which is a party to any of the double taxation agreements mentioned in Schedule 9 to this Act of such facts as may be necessary to enable the proper relief to be given under this section.
- (9) The powers of making regulations conferred by section 351 of the Income Tax Act 1952 shall be exercisable for the purpose of carrying out the provisions of this section, and the provisions of double taxation agreements as applied by this section, as they are exercisable for the purpose of carrying out the provisions of section 347 of that Act, and of arrangements having effect thereunder.
- (10) Effect shall be given to the relief afforded by this section on a claim to which section 9 of the Income Tax Management Act 1964 shall apply, but subject to any provisions made pursuant to the last foregoing subsection for the payment of dividends without deduction of all or any tax.
- (11) In this section and in Schedule 9 to this Act—
 - (a) in relation to a dividend paid to a person resident in an overseas territory " the overseas territory " means that territory and " the relevant agreement " means the double taxation agreement in the Order in Council mentioned in Schedule 9 to this Act which concerns that overseas territory with any amendments to which effect is given by any subsequent Order in Council made before or after the passing of this Act,
 - (b) references to residence shall be construed in accordance with the relevant agreement,

and section 89(4) of the Finance Act 1965 shall apply to determine for the purposes of this section and Schedule 9 to this Act the date when any dividend chargeable to income tax under Schedule F is paid.

32 Transitory provisions for interest and royalties paid to non-residents.

- (1) This section applies to any payments to a person resident in an overseas territory made in the period comprising the financial years 1966 and 1967, but the Treasury may by order contained in a statutory instrument, of which a draft has been laid before and approved by the Commons House of Parliament, extend or further extend that period in relation to residents in an overseas territory specified in the order (or residents in all overseas territories) and the period as so extended or further extended may include part only of a financial year.
- (2) In Schedule 11 to the Finance Act 1965 (which defines company distributions) neither—
 - (a) paragraph 1(1)(d)(iv) (which, as amended by this Act, relates to interest, etc., in respect of securities held by a company which is not resident in the United Kingdom and is in the same group of companies as the paying company), nor
 - (b) paragraph 9(1)(c) (royalties paid by a close company to a participator),
 shall apply to any such payment if, under an existing double taxation agreement, the recipient is entitled to relief (whether by way of exemption from tax, or by virtue of a limitation on the rate of tax) from income tax (not including surtax) chargeable in the United Kingdom on that payment.
- (3) Subsection (2) above shall not apply to any payment to a company more than fifty per cent. of the voting power in which is controlled, directly or indirectly, by a person or persons resident in the United Kingdom.
- (4) In this section "existing double taxation agreement" means any arrangements having effect by virtue of section 347 of the Income Tax Act 1952, being arrangements specified in an Order in Council under that section of which the draft was approved by the Commons House of Parliament before 1st January 1966, together with any other such arrangements, whenever made, providing for their modification in any respect; but any arrangements taking effect under the said section 347 after the passing of this Act and modifying an existing double taxation agreement in any respect may exclude the provisions of this section as they apply in relation to that agreement, and the exclusion shall be as respects payments, or a specified description of payments, made after the date specified in the arrangements, which may be a date before or after the making of the arrangements.
- (5) In this section "overseas territory", in relation to an existing double taxation agreement, means the territory (other than the United Kingdom) to which the agreement applies.

33 Transitory provisions for double taxation agreements having retrospective effect.

- (1) Any arrangements to which effect is given under section 347 of the Income Tax Act 1952 by virtue of an Order in Council made in pursuance of an Address presented to Her Majesty by the Commons House of Parliament before 1st January 1968 may include a provision which withdraws relief from corporation tax afforded by provisions of an existing double taxation agreement concerning interest or royalties notwithstanding that the relief so withdrawn is for periods which include periods before the making of the arrangements.
- (2) In this section "existing double taxation agreement" means any arrangements to which effect has been given under the said section 347 by virtue of an Order in Council made before the passing of this Act.

- (3) This section applies in relation to corporation tax for the financial years 1964 and 1965 or for any later financial year.

34 Regulations relating to double taxation relief.

- (1) In section 351(1)(c) of the Income Tax Act 1952 (which authorises the making of the necessary adjustments in respect of income tax deductible from any periodical payment where the tax has not been, but ought to have been, deducted) the word "periodical" (in the expression "periodical payment") shall cease to have effect.
- (2) The giving of relief under Part XIII of the Income Tax Act 1952 (double taxation relief), or under this Act, in respect of income tax under Schedule F by authorising, pursuant to regulations under the said section 351, the making of distributions of amounts exceeding what would otherwise be distributed shall not affect the provisions of section 47(2) of the Finance Act 1965 (which determine the amount of income tax under Schedule F chargeable in respect of any distribution), and references in that subsection to the amount of the distribution shall be taken as references to that amount, apart from any increase made in pursuance of such regulations.

PART IV

INCOME TAX AND CORPORATION TAX

35 Abolition of investment allowances and amendments as to initial allowances.

- (1) Subject to subsection (2) of this section, section 16 of the Finance Act 1954 and section 21(4)(a) of the Finance Act 1959 (which provide for giving investment allowances in respect of capital expenditure on certain new assets) and section 21(2) and (4)(b) of the said Act of 1959 (by virtue of which initial allowances in respect of such expenditure are reduced) shall not apply to expenditure incurred on or after 17th January 1966.
- (2) Without prejudice to subsection (3) of this section, the foregoing subsection shall not affect the application of any of the enactments specified in Part IV of Schedule 13 to this Act to any expenditure in respect of an asset in so far as that expenditure consists (and is stated in the certificate required by subsection (7) of the said section 16 or, as the case may be, by paragraph 1 of Schedule 5 to the said Act of 1959 to consist) of the payment of sums payable under a contract entered into on a date (to be specified in that certificate) not later than 16th January 1966 where that asset is brought into use not later than 16th January 1968.
- (3) No investment allowance under the said section 16 or the said section 21(4)(a) and no initial allowance under section 265(1), 279(1) or 306 of the Income Tax Act 1952 or under section 17(1)(a) of the Finance Act 1956 shall be made in respect of so much of any expenditure as is taken into account for the purposes of any relevant grant made towards that expenditure, or be made by virtue of section 332(3) of the said Act of 1952 in respect of a proportionate part of any contribution towards that expenditure; and, if any such grant is made after the making of any such allowance, that allowance shall to that extent be withdrawn.

In this subsection, the expression "relevant grant" means a grant towards capital expenditure incurred by a person carrying on a business, being—

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- (a) a grant made under an Act of the present Session or in pursuance of a scheme under an enactment amended by an Act of the present Session; or
 - (b) a grant made under an enactment of the Parliament of Northern Ireland or out of moneys provided by that Parliament which appears to the Treasury to be made towards expenditure and for a purpose corresponding respectively to expenditure towards which and a purpose for which a grant such as is mentioned in paragraph (a) of this definition may be made,
- and in either case being a grant declared by the Treasury by order made by statutory instrument to be relevant for the purposes of the withholding or withdrawal of investment and initial allowances.
- (4) Where the amount of any relevant grant within the meaning of subsection (3) of this section towards any expenditure is repaid in whole or in part by the grantee to the grantor, then to the extent to which it has been so repaid it shall be deemed never to have been made.
 - (5) All such assessments or adjustments of assessments to income tax, corporation tax or profits tax shall be made as may be necessary in consequence of the provisions of subsection (3) or (4) of this section and, notwithstanding anything in any other provision, the time within which such an assessment or adjustment may be made shall not expire before the expiration of three years from the end of the chargeable period in which the grant referred to in the said subsection (3) or, as the case may be, the repayment referred to in the said subsection (4) was made.
 - (6) This section shall be construed as if it were contained in Part X of the Income Tax Act 1952.

36 Termination of free depreciation in development districts.

- (1) Any district which, immediately before 17th January 1966, was a development district for the purposes of sections 38 and 39 of the Finance Act 1963 (which relate to the computation of writing down allowances for new machinery and plant, or, as the case may be, for new mining expenditure, in certain districts in Great Britain and in districts within Northern Ireland) shall be deemed to have ceased to be such a development district on that date and, save by virtue of subsection (7) of the said section 38, no district shall be treated as such a development district as respects any period falling on or after that date.
- (2) Subject to subsection (3) of this section, the said subsection (7) (which makes provision for the application of the said section 38 to a district in Great Britain which ceases to be a development district and, as applied by subsection (3) of the said section 39, makes the like provision in relation to the said section 39) shall have effect as if the words " in Great Britain " were omitted.
- (3) Notwithstanding anything in the said subsection (7), the said section 38 or 39 shall not apply in relation to a writing down allowance in respect of, or of any contribution towards, any expenditure if a relevant grant within the meaning of section 35(3) of this Act is made in respect of that expenditure and that grant—
 - (a) by reason of that expenditure being incurred in connection with an area in relation to which the powers conferred by Part I of the Local Employment Act 1960 are for the time being exercisable, is (or, but for any reduction by reference to a grant under section 1 of the Local Employment Act 1963, would be) payable at a higher rate than that at which it would otherwise have been payable; or

- (b) is payable under an enactment of the Parliament of Northern Ireland and is declared by the Treasury by order made by statutory instrument to be comparable to a grant falling within paragraph (a) of this subsection.
- (4) Subsection (5) of section 35 of this Act shall have effect for the purposes of this section as if the references in that subsection to subsection (3) of that section included references to subsection (3) of this section.

37 Vehicles which are to be eligible for initial allowances.

- (1) Vehicles of a construction primarily suited for the conveyance of goods or burden of any description shall be excluded from section 13(1) of the Finance Act 1965 (which makes certain cars ineligible for initial allowances).
- (2) This section has effect as respects expenditure incurred on the provision of vehicles after 16th January 1966, and all such adjustments shall be made, whether by repayment or discharge of tax or otherwise, as are required to give effect to the provisions of this section.
- (3) Expenditure shall not be treated for the purposes of this section as having been incurred after 16th January 1966 by reason only of section 279(2) of the Income Tax Act 1952 (which relates to expenditure incurred by a person for the purposes of a trade before he begins to carry it on).

38 Statutory redundancy payments.

- (1) Any redundancy payment, and the corresponding amount of any other employer's payment, shall be exempt from income tax under Schedule E.
- (2) Where a redundancy payment or other employer's payment is made in respect of employment wholly in a trade, profession or vocation carried on by the employer, and within the charge to income tax or corporation tax, the amount of the redundancy payment or the corresponding amount of the other employer's payment shall (if not otherwise so allowable) be allowable as a deduction in computing for the purposes of Schedule D the profits or gains or losses of the trade, profession or vocation, but if it is so allowed by virtue of this section the amount of the rebate recoverable shall (if it is not otherwise to be so treated) be treated as a receipt to be brought into account in computing those profits or gains ; and if the employer's payment was made after the discontinuance of the trade, profession or vocation the net amount so deductible shall be treated as if it were a payment made on the last day on which the trade, profession or vocation was carried on.
- (3) Where a redundancy payment or other employer's payment is made in respect of employment wholly in a business carried on by the employer, and expenses of management of the business are eligible for relief under section 57 of the Finance Act 1965 as extended by section 67(1)(b) of that Act (investment companies and unit trusts) the amount by which the redundancy payment, or the corresponding amount of the other employer's payment, exceeds the recoverable rebate shall (if not otherwise so allowable) be allowable as expenses of management eligible for relief under that section; and if the employer's payment was made after the discontinuance of the business the net amount so allowable shall be treated as if it were expenses of management incurred on the last day on which the business was carried on.

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- (4) Where a redundancy payment or other employer's payment is made in respect of employment wholly in maintaining or managing property the expenses of maintaining or managing which were eligible for relief under paragraph 1 or paragraph 13 of Schedule 4 to the Finance Act 1963 (allowable deductions for tax under Case VIII and certain other tax), the amount by which the redundancy payment or the corresponding amount of the other employer's payment exceeds the recoverable rebate shall (if not otherwise allowable under that Schedule) be treated for the purposes of the said Schedule as a payment made by the employer in respect of the maintenance or management of the property, or of such part of it as he may elect; and if the employer's payment was made after the latest time when it could be taken into account for the purposes of relief under the said Schedule 4 as a payment in respect of the maintenance or management of the property or any part of it, it shall be treated as having been made at that time.
- (5) Relief shall not be given under subsections (2), (3) and (4) of this section, or otherwise, more than once in respect of any employer's payment, and if the employee was being employed by the employer in such a way that different parts of the employee's remuneration fell for income tax or corporation tax purposes to be treated in different ways, the amount by which the redundancy payment, or the corresponding amount of the other employer's payment, exceeds the recoverable rebate shall be apportioned to the different capacities in which the employee was employed, and subsections (2), (3) and (4) above shall apply separately to the employment in those capacities, and by reference to the apportioned part of the said amount, instead of by reference to the full amount of the employer's payment, and the full amount of the rebate.
- (6) Where the Minister pays a sum under section 32 of the Redundancy Payments Act 1965 or section 42 of the Contracts of Employment and Redundancy Payments Act (Northern Ireland) 1965 in respect of an employer's payment this section shall apply as if that sum had been paid on account of that redundancy or other employer's payment and, so far as the employer has reimbursed the Minister, as if it had been so paid by the employer.
- (7) In this section " redundancy payment ", " employer's payment " and " rebate " have the same meaning as in Part II of the Redundancy Payments Act 1965 or Part III of the Contracts of Employment and Redundancy Payments Act (Northern Ireland) 1965, and—
- (a) references to the corresponding amount of an employer's payment (other than a redundancy payment) are references to the amount of that employer's payment so far as not in excess of the amount of the relevant redundancy payment (and so that where in consequence of section 30(2) of the Redundancy Payments Act 1965 or section 40(2) of the said Act of Northern Ireland, there is no relevant redundancy payment, the corresponding amount of the employer's payment is nil),
 - (b) " relevant redundancy payment " shall be construed in accordance with paragraph 8 of Schedule 5 to the Redundancy Payments Act 1965 or paragraph 8 of Schedule 6 to the said Act of Northern Ireland,
- and a source of income is " within the charge to " income tax or corporation tax if that tax is chargeable on the income arising from it, or would be so chargeable if there were any such income.
- (8) In subsection (1) above the reference to tax under Schedule E does not include a reference to tax under section 37 of the Finance Act 1960 (which relates only to

sums exceeding a limit of £5,000 or more) and accordingly payments exempted by subsection (1) above may be taken into account under that section.

- (9) This section shall apply as respects payments made on or after 6th December 1965 (which is the appointed day under the Redundancy Payments Act 1965 and the said Act of Northern Ireland), and as respects tax for past years of assessment and profits tax chargeable accounting periods, and the reference in subsection (3) of this section to section 57 of the Finance Act 1965 includes a reference to section 425 of the Income Tax Act 1952 as extended by section 438 of that Act and section 69 of the Finance Act 1960 (all of which are repealed by the Finance Act 1965).

39 Cancellation of tax advantages from certain transactions in securities.

- (1) For the purposes of the definition of tax advantage in section 43 (4) (g) of the Finance Act 1960 it shall be assumed that a person who might have received from a company any dividend or other distribution (as defined for the purposes of the Corporation Tax Acts) would have borne the income tax chargeable under Schedule F which the company would have had to account for under section 47(3) of the Finance Act 1965 in respect of the distribution, and an assessment under section 28(3) of the Finance Act 1960 to counteract a tax advantage consisting of the avoidance or reduction of an assessment to income tax which would be payable by a company under the said section 47(3) in respect of a distribution may be made under Case VI of Schedule D on a person other than the company, and may be so made in addition to any assessment to counteract a tax advantage in respect of surtax.
- (2) An assessment so made on a person other than the company may be of an amount arrived at without regard to any set off to which the company would have been entitled under Schedule 12 to the Finance Act 1965.
- (3) After paragraph (2)(d) in the said section 28 there shall be added the following paragraph—
- “(e) in connection with the transfer directly or indirectly of assets of a company to which paragraph (d) above applies to another such company, or in connection with any transaction in securities in which two or more companies to which paragraph (d) above applies are concerned, the person in question receives non-taxable consideration which is or represents the value of assets available for distribution by such a company, and which consists of any share capital or any security (as defined by paragraph 7(1) of Schedule 11 to the Finance Act 1965) issued by such a company.”
- (4) So far as the paragraph (e) added to the said section 28(2) by subsection (3) above relates to share capital other than redeemable share capital, it shall not apply unless and except to the extent that the share capital is repaid (in a winding-up or otherwise), and where the said section 28 applies to a person by virtue of the said paragraph (e) on the repayment of any share capital any assessment to tax under subsection (3) of the said section 28 shall be an assessment to tax for the year in which the share capital is repaid.
- (5) Any notice or notification under subsection (3) or (4) of the said section 28, or under section 29(b) of the Finance Act 1960, concerning the application of the said section 28 to a person who has died may be given or issued to his personal representatives, and the provisions of the said section 28 relating to the making of a statutory declaration, to rights of appeal and to the giving of information shall be construed accordingly.

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(6) In this section—

" assets available for distribution " means assets which are, or apart from anything done by the company in question would have been, available for distribution by way of dividend, or trading stock of the company,

" non-taxable ", in relation to a person receiving consideration, means that the recipient does not pay or bear tax on it as income (apart from the provisions of section 28 of the Finance Act 1960),

" share " includes stock and any other interest of a member in a company, and the references in subsection (4) above to the repayment of share capital include references to any distribution made in respect of any shares in a winding up or dissolution of the company.

(7) The amendments made by this section in sections 28 and 29 of the Finance Act 1960, and in the definition of tax advantage as it applies for the purposes of that section, shall not apply to a person in respect of any transaction or transactions in securities if they were carried out before 3rd May 1966, and if any change in the nature of any activities carried on by any person, being a change necessary in order that the tax advantage should be obtainable in consequence of the transaction or transactions, was also effected before that day, but nothing in this section shall be taken to prejudice the operation of the said section 28, without this section, in any such case.

PART V

ESTATE DUTY AND CAPITAL GAINS

40 Estate duty: interests limited to cease on death.

(1) In the case of a death after 3rd May 1966 the provisions of this section shall apply in determining for the purposes of section 2(1)(b) of the Finance Act 1894 whether an interest in property ceased on the death of the deceased and the extent to which a benefit accrued or arose by the cesser of that interest.

(2) If the deceased had immediately before his death an interest in the property limited to cease on his death, then in determining the questions in subsection (1) above as regards that interest, any other interest in that property belonging to the deceased at his death shall be treated as if it belonged to someone other than the deceased.

(3) If immediately before the death of the deceased a number of persons were, as beneficiaries under a discretionary trust, together entitled to an interest in the property limited to cease on the death and the deceased was then one of those persons, or at some earlier time had been a beneficiary under that discretionary trust, then, in determining the questions in subsection (1) above as regards that interest, any other interest in the property which, whether as arising from the same trusts or otherwise, belongs to those who immediately before the death were the beneficiaries under the discretionary trust shall be treated as being held by persons other than those beneficiaries, and other than the deceased.

(4) For the purposes—

(a) of this section, and

(b) so far as they relate to estate duty leviable on a death after 3rd May 1966, of section 43 of the Finance Act 1940 and section 28 of the Finance Act

1958 (disposition or determination of interest limited to cease on death, and purchase of interest in expectancy in property subject to an interest limited to cease on death),

an interest including an interest limited to cease on death shall be treated as two separate interests one of which is the interest limited to cease on death, and for the purposes of this subsection the following interests shall be deemed to include an interest limited to cease on a death—

- (i) an interest enjoyed under two or more titles one of which confers an interest limited to cease on a death,
- (ii) an interest so related to a death that it cannot terminate before the death, and
- (iii) an interest so related to a death that, except in contingencies not related to the death, it cannot terminate before the death:

Provided that where an interest belongs to persons as beneficiaries under a discretionary trust which throughout the subsistence of that trust was such that it could not terminate before the death of the survivor of two or more persons, estate duty shall only be payable by virtue of this section in respect of the cesser of the interest on the death of that survivor.

- (5) It is hereby declared that this section has effect for the purposes of estate duty not only as respects the question whether property is deemed to pass on a death but also as respects the questions—
 - (a) whether, in any circumstances specified in section 43 of the Finance Act 1940, property would have passed on a death or would have been deemed to be included to a particular extent in property passing on a death, and
 - (b) whether (as under section 28(12) of the Finance Act 1958 which relates to the purchases of interests in expectancy) in specified circumstances estate duty would have been chargeable by reason of the coming to an end of an interest in property.
- (6) In this section " discretionary trust " includes a trust under which the disposition of any of the trust income is at the discretion of the trustees or of any other person.

41 Restriction of exemption from estate duty for certain government securities.

- (1) This section has effect as respects securities which the Treasury issue or have issued before or after the passing of this Act subject to any condition authorised by section 47 of the Finance (No. 2) Act 1915 or section 22 of the Finance (No. 2) Act 1931 for an exemption from taxation so long as the securities are in the beneficial ownership of persons neither domiciled nor ordinarily resident in the United Kingdom, and this section is enacted for the purpose of preventing that exemption from enuring for the benefit of, or of the estate of, a person domiciled or ordinarily resident in the United Kingdom.
- (2) Where in respect of any government securities any such exemption applies apart from this section to estate duty leviable on the death after 3rd May 1966 of a person who immediately before the death was domiciled or ordinarily resident in the United Kingdom, then, subject to the exceptions provided by the following provisions of this section.—
 - (a) if the exemption is subject to a condition relating to any law directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, the said exemption shall not apply to that estate duty, and

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- (b) if the exemption is not subject to any such condition, there shall be deemed for purposes of estate duty on the death to be included in the property passing at the death a sum equal to the value upon which, but for the exemption, estate duty would have been payable, and any sum so deemed to pass shall for the purposes of aggregation and of determining the persons accountable for duty be treated as having been property to which the deceased was absolutely entitled at his death,

but so far as the duty imposed by paragraph (b) above has not been paid by the deceased's personal representatives accountability for the duty shall be imposed on any person who, if the exemption had not applied to the duty, would have been accountable for it under the enactments relating to estate duty; and any payment made by the personal representatives shall for the purposes of this subsection be regarded as a payment of the duty imposed by paragraph (b) above only so far as there is no other estate duty leviable on the death for which they are accountable and which has not been paid.

- (3) Subsection (2) above shall not apply where it is shown to the satisfaction of the Commissioners of Inland Revenue, or on an appeal under section 10 of the Finance Act 1894 of the court entertaining the appeal, that the circumstances in which, apart from this section, the exemption applies in respect of any government securities were not brought about for the purpose, or for purposes which include the purpose, of obtaining the benefit of the exemption directly or indirectly for, or for the estate of, a person domiciled or ordinarily resident in the United Kingdom, or for a company to which section 56 of the Finance Act 1940 (closely controlled companies) applies and in which a person domiciled or ordinarily resident in the United Kingdom has an interest; and where the circumstances in which the exemption so applies in respect of any government securities were not brought about by the deceased subsection (2) above shall not apply so as by virtue of paragraph (b) of that subsection to make the personal representatives accountable for duty or to increase the amount of duty beyond what would have been due had there been no exemption.
- (4) Subsection (2) above shall not apply in respect of any government securities if no person who would be accountable for estate duty leviable on the death on the government securities on the assumption that the exemption did not apply in respect of those government securities is a person domiciled or ordinarily resident in the United Kingdom or a company to which the said section 56 of the Finance Act 1940 applies.
- (5) If a donee or other person being, on the assumption in subsection (4) above, contingently accountable for estate duty pre-deceases the deceased, that subsection shall apply, so far as it relates to that donee or other person, by reference to him and not by reference to his personal representatives or successors in title, and according to where he was domiciled or ordinarily resident at his death.
- (6) If the persons who would, on the assumption in subsection (4) above, be so accountable consist of or include trustees under a settlement created before the death, whether or not subsisting at the death, subsection (4) above shall not have effect but subsection (2) above shall not apply in respect of the government securities if and to the extent that it is shown to the satisfaction of the Commissioners of Inland Revenue, or on an appeal under section 10 of the Finance Act 1894 of the court entertaining the appeal, that the burden of the duty, having regard to interests subsisting immediately after the death, would be borne by any person who is neither domiciled nor ordinarily resident in the United Kingdom, and for the purposes of this subsection interests in income, interests in capital, interests in possession and interests in reversion shall all be taken into account.

- (7) If interests under a trust subsisting at the death fall to be taken into account under subsection (6) above, and all interests in the trust other than reversionary interests are interests contingent on the exercise of the discretion of any of the trustees or of any other person, subsection (2) above shall not be displaced by subsection (6) if any of the persons interested in the trust is domiciled or ordinarily resident in the United Kingdom.
- (8) Subsection (6), and not subsection (4), above shall apply if the persons who would, on the assumption in subsection (4) above be so accountable consist of or include a company to which the said section 56 of the Finance Act 1940 applies, and the assumptions made in the said section 56(1) as to the company holding its assets in trust shall be made for the purposes of subsection (6) above, taking the interests in the company as they subsisted immediately before the death ; and similarly where under subsection (6), with or without this subsection, the burden falling on any person who is a company to which the said section 56 applies is in question, the same assumptions shall be made as respects the company.
- (9) Nothing in subsections (4) to (8) above shall prevent subsection (2) above from applying in respect of any government securities settled under a settlement revocable in whole or in part at any time after the death of the deceased person at the instance of any person.
- (10) Section 8(4) of the Finance Act 1894 (which, where an executor is not accountable for estate duty, renders the beneficiaries and others accountable therefor) shall apply as if the words referring to the executor not being accountable were omitted both for the purposes of accountability for estate duty leviable by virtue of this section and also for the purposes of this section as it relates to the persons who would be accountable for estate duty on the assumptions in subsections (2), (4) and (6) of this section.
- (11) For the purposes of this section—
- (a) the reference in subsection (3) of this section to a company to which section 56 of the Finance Act 1940 applies, and in which a person domiciled or ordinarily resident in the United Kingdom has an interest, shall be determined on the assumptions made in the said section 56(1) as to the company holding its assets in trust,
 - (b) the reference in subsection (7) of this section to interests contingent on the exercise of a discretion include references to interests, whether in capital or income, which are affected by the exercise of a discretion in favour of some person other than the person entitled to the interest.

42 Gifts inter vivos, etc.: relief from estate duty and other tax.

- (1) If any property comprised in a gift inter vivos, and not settled by the gift, is deemed for the purposes of estate duty to pass on a death and capital gains tax or corporation tax is chargeable on a chargeable gain accruing on a disposal by the donee or his personal representatives of an asset which is for the time being comprised in the gift, and which has not been settled by the donee, being a disposal—
- (a) effected before the death, and
 - (b) if the principal value of the property is to be ascertained at an earlier time, effected at or before that earlier time,

the principal value of the property for the purposes of estate duty on the death shall be reduced by the amount of that tax, and that reduction shall be made before any

reduction of that value under section 64 of the Finance Act 1960 (graduation of charge by reference to period between gift and death).

- (2) If any property ceasing to be settled property is by virtue of subsection (8) proviso or subsection (12) proviso of section 38 of the Finance Act 1957 to be treated as comprised in a gift inter vivos deemed for purposes of estate duty to pass on a death, or as the case may be as comprised in property in which an interest within section 43 of the Finance Act 1940 subsisted, and capital gains tax is chargeable on a chargeable gain accruing on the disposal under section 25(3) of the Finance Act 1965 deemed to be effected by the trustee of the settlement on the occasion of the property ceasing to be settled property, the principal value of the property for the purposes of estate duty on the death shall be reduced by the amount of that tax, and that reduction shall be made before any reduction of that value under section 64 of the Finance Act 1960.

- (3) Where—

- (a) an asset comprised in a gift inter vivos is deemed for purposes of estate duty (including estate duty in Northern Ireland) to pass on a death, and at the time of the death the asset is owned by the donee or is property settled by the gift, or property which by virtue of section 38(9) of the Finance Act 1957 is treated for the purposes of that section as property settled by the gift, and
- (b) the principal value of the asset for the purposes of estate duty on the death (without any reduction under subsection (1) above and without any reduction under section 64 of the Finance Act 1960) exceeds the sums within paragraphs (a) and (b) of paragraph 4(1) of Schedule 6 to the Finance Act 1965 which, if the donee had disposed of the asset at the time of the death, would have been allowable in computing the amount accruing on that disposal,

a part of any estate duty payable in respect of that asset on the death shall be treated for the purposes of Part III of the Finance Act 1965 as if it were an amount of expenditure incurred by the donee on the asset and falling within the said paragraph 4(1)(b); and that part shall be the proportion of the duty which the said excess bears to the said principal value.

- (4) References in this section to any amount of capital gains tax or corporation tax are references to the amount which would not have been payable if the relevant asset had not been disposed of, and, if any part of the chargeable gain accruing on a disposal within subsection (1) or subsection (2) of this section is not chargeable to capital gains tax or corporation tax in the year of assessment or accounting period in which it accrues because of relief for losses accruing in that or any earlier year or accounting period, the amount of tax in respect of that part of the chargeable gain shall be the tax which would have been charged on that part of the gain if it had been the only gain accruing in the year or accounting period and had all been chargeable.
- (5) This section has effect as respects capital gains tax for the year 1965-66 and later years of assessment and applies in relation to deaths and disposals at any time before or after the passing of this Act.

43 Capital gains.

Schedule 10 to this Act (Part I of which contains amendments of the enactments relating to chargeable gains, including amendments relating to life interests in settled property, the transfer of a business on retirement, compulsory acquisitions of parts of holdings of land and insolvents' assets, and Part II of which contains a corresponding

provision for insolvents' assets subject to tax on short-term capital gains) shall have effect.

PART VI

SELECTIVE EMPLOYMENT TAX

44 Selective employment tax.

- (1) Subject to subsection (2) of this section, in respect of each contribution week beginning on or after 5th September 1966, an employer shall be liable, in respect of each person in respect of whom the employer is liable to pay an employer's insurance contribution for that week, to pay a tax (to be known as the selective employment tax and hereafter in this section and in Schedule 11 to this Act referred to as " the tax ") of the following amount, namely—
 - (a) if that person is a man over the age of eighteen, twenty five shillings ; or
 - (b) if that person is a woman over the age of eighteen, twelve shillings and sixpence ; or
 - (c) if that person is a boy under the age of eighteen, twelve shillings and sixpence ; or
 - (d) if that person is a girl under the age of eighteen, eight shillings.
- (2) Where an employer's insurance contribution in respect of any person for any contribution week is reduced by virtue of regulations made or having effect as if made—
 - (a) under section 99 of the National Insurance Act 1965 (which relates to Her Majesty's forces) or under that section as applied for the purposes of Northern Ireland legislation by regulations made by the Joint Authority under section 104(6) of that Act; or
 - (b) under section 100 of that Act or section 95 of the National Insurance Act (Northern Ireland) 1966 (which relate to mariners and airmen),the tax shall not be payable in respect of that person for that week.
- (3) Any amount payable by way of the tax shall be collected together with employer's insurance contributions and—
 - (a) in so far as collected in Great Britain, shall be paid by the Minister of Pensions and National Insurance into the Exchequer at such times as the Treasury may direct;
 - (b) in so far as collected in Northern Ireland, shall be paid by the Ministry of Health and Social Services for Northern Ireland into the Exchequer of Northern Ireland at such times as the Ministry of Finance for Northern Ireland may direct.
- (4) The expenses of the Minister of Pensions and National Insurance and of any other department of Her Majesty's Government in the United Kingdom (except the Postmaster General) incurred for the purposes of this section shall be defrayed out of moneys provided by Parliament:

Provided that so much of the sums payable into the Exchequer under subsection (3) (a) of this section as the Treasury may determine to be equal to the aggregate of the said expenses and any such amounts as are mentioned in section 85(5) of the National

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Insurance Act 1965 (which relates to liabilities for pensions and other payments and to the use of Crown premises), in so far as those amounts are determined by the Treasury to be attributable to the execution of this section, may be treated as if they were receipts falling within section 2 of the Public Accounts and Charges Act 1891 and may be directed to be appropriated in aid accordingly.

- (5) For the purposes of payments by the Minister of Pensions and National Insurance to the Postmaster General under section 85(2) of the National Insurance Act 1965, work done by the Postmaster General in the execution of this section shall be treated as done in the execution of the said Act of 1965; and in estimating the expenses referred to in subsection (4) of this section there shall be included in the expenses of that Minister the amounts of any such payments in so far as those amounts are determined by the Treasury to be attributable to the execution of this section.
- (6) The provisions of Schedule 11 to this Act shall have effect for the purposes of this section.
- (7) Subject to subsection (2) of this section, this section and the said Schedule 11 shall apply in the case of persons employed by or under the Crown in like manner as if the employer were a private person.
- (8) For the purposes of section 6 of the Government of Ireland Act 1920, this section and the said Schedule 11 shall be deemed to be contained in an Act passed before the appointed day.
- (9) In this section and the said Schedule 11, the following expressions have the following meanings respectively, that is to say—
 - " employer's insurance contribution " means a contribution, other than a graduated contribution or a contribution as an insured person, payable by an employer under the Insurance Acts;
 - " the Insurance Acts " means—
 - (a) in relation to Great Britain, the National Insurance Act 1965 and any enactment (whether passed before or after the passing of this Act) included therewith in any citation which uses the phrase " the National Insurance Acts " ;
 - (b) in relation to Northern Ireland, means the National Insurance Act (Northern Ireland) 1966 and any enactment (whether passed before or after the passing of this Act) included therewith in any citation which uses the phrase " the National Insurance Acts (Northern Ireland) ";

and, save where the context otherwise requires, any other expressions used in this section or the said Schedule 11 have the same meanings, in their application to Great Britain, as in the said Act of 1965 or, in their application to Northern Ireland, as in the said Act of 1966.

PART VII

MISCELLANEOUS

45 Harbour reorganisation schemes: corporation tax and stamp duty.

- (1) Where, after the passing of this Act, the trade of any body corporate other than a limited liability company is transferred to a harbour authority by or under a certified harbour reorganisation scheme which provides also for the dissolution of the transferor—
 - (a) for the purposes of the Corporation Tax Acts, the trade shall not be treated as permanently discontinued, nor shall a new trade be treated as set up and commenced ;
 - (b) the transferee shall be entitled to relief from corporation tax under section 58(1) of the Finance Act 1965, as for a loss sustained by it in carrying on the transferred trade or any trade of which it comes to form part, for any amount which, if the transferor had continued to carry it on, would have been available to the transferor for carry forward against chargeable profits of succeeding accounting periods, but subject to any claim made by the transferor under section 58(2) of that Act; and
 - (c) Schedule 12 to this Act (which contains further provisions as to the application of the Corporation Tax Acts) shall also have effect.
- (2) Where, after the passing of this Act, a part only of such a trade is transferred to a harbour authority by or under a certified harbour reorganisation scheme, and the transferor continues to carry on the remainder of the trade, or any such trade is, by or under a certified harbour reorganisation scheme which provides also for the dissolution of the transferor, transferred in parts to two or more harbour authorities, the provisions of paragraphs (a) and (b) of the foregoing subsection and of Schedule 12 to this Act shall apply as if the transferred part, or each of the transferred parts, had been at all times a separate trade.
- (3) Where a part of any trade is to be treated by virtue of subsection (2) above as having been a separate trade over any period there shall be made any necessary adjustments of accounting periods, and such apportionments as may be just of receipts, expenses, allowances or charges.
- (4) Where the trade carried on by any body corporate was, by or under a certified harbour reorganisation scheme, transferred to a harbour authority in the year 1965-66—
 - (a) the change effected by the transfer shall be treated as one in respect of which the conditions specified in section 17(1) of the Finance Act 1954 (company reconstructions etc. without change of ownership) were satisfied, and Schedule 3 to that Act shall apply accordingly ;
 - (b) for all purposes of corporation tax the transferee and all other persons affected shall be treated as if the transferee had carried on the trade from the end of the basis period for that year of the trade as carried on by the transferor, and as if anything done to or by the transferor in carrying on the trade since the end of that period had been done to or by the transferee; and
 - (c) subsection (1)(b) above, and paragraph 4 of Schedule 12 to this Act, shall apply.
- (5) Where a certified harbour reorganisation scheme contains provision for the transfer of an undertaking, or of any other description of property, to a harbour authority, then, in considering whether any and if so what duty is payable under section 12 of the

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Finance Act 1895 (which relates to the stamp duty payable in connection with certain statutory conveyances), the consideration for the transfer shall be left out of account; and no stamp duty shall be payable on any contract or agreement for any such transfer if the contract or agreement is conditional on the making and certification of a harbour reorganisation scheme.

(6) In this section—

"harbour authority" has the same meaning as in the Harbours Act 1964;

"harbour reorganisation scheme" means any statutory provision providing for the management by a harbour authority of any harbour or group of harbours in the United Kingdom, and "certified", in relation to any harbour reorganisation scheme, means certified by a Minister of the Crown or Government department as so providing with a view to securing, in the public interest, the efficient and economical development of the harbour or harbours in question;

"limited liability company" means a company having a limit on the liability of its members;

"statutory provision" means any enactment, or any scheme, order or other instrument having effect under an enactment, and includes an enactment confirming a provisional order;

and in this section and in Schedule 12 to this Act "transferor", in relation to any trade, means the body from whom the trade is transferred, whether or not the transfer is effected by that body.

(7) This section, except so far as it relates to stamp duties, shall be construed as one with the Corporation Tax Acts.

46 Stamping of contract notes etc.

(1) The Commissioners may enter into an agreement with any person by whom instruments chargeable with stamp duty by virtue of section 77 or 79 of the Finance (1909-10) Act 1910 are made and executed in the course of that person's business whereby—

(a) that person pays a sum to the Commissioners on account of the amounts of stamp duty which will become chargeable on such instruments thereafter made and executed by or on behalf of that person without the duty thereon being denoted in accordance with section 78(4) of that Act; and

(b) in substitution for the requirements of the said section 78(4), but subject to—
(i) compliance with such terms and conditions as the Commissioners may think proper to cause to be contained in the agreement; and
(ii) the aggregate of those amounts not exceeding the sum so paid on account,

any such instrument thereafter so made and executed may be marked by or on behalf of that person with such indication of the payment of stamp duty and the amount thereof as the Commissioners may require.

(2) Any such instrument marked in accordance with any such agreement as aforesaid shall be treated as duly stamped for the purposes of subsection (2) of section 78 of the said Act of 1910; and the reference in subsection (3) of that section to the provisions of that section shall be construed as a reference to those provisions as modified by any such agreement.

- (3) Where, under any such agreement as aforesaid, a sum has been paid to the Commissioners in accordance with subsection (1)(a) of this section by the other party to the agreement, the Commissioners may, on a claim made not later than two years after that sum was so paid, repay so much of that sum as they are satisfied can no longer be required for discharging any future liability of that other party to pay amounts of stamp duty.
- (4) Except in so far as the context otherwise requires, any reference in sections 9 and 10 of the Stamp Duties Management Act 1891 (which relate to allowances for spoiled stamps) to a stamp shall include a reference to any such indication of the payment and amount of stamp duty as is referred to in subsection (1)(b) of this section.

47 Stamp duty on life policies not exceeding two years.

- (1) The maximum amount chargeable by way of stamp duty on any policy of life insurance made on or after 1st August 1966 for a period not exceeding two years shall be sixpence.
- (2) For the purposes of this section, a policy shall be treated as made for a period exceeding two years if it contains any provision whereby it may become available for a period exceeding two years in all.
- (3) Where, at any time after the making of a policy on which the duty chargeable would, but for subsection (1) above, have exceeded sixpence, the policy is varied so that it becomes or may become available for a period exceeding two years in all, the policy shall become chargeable with the same duty as would have been chargeable if it had been made on the date of the variation for a period exceeding two years, and may be stamped accordingly, without penalty, at any time within thirty days after that date.

48 Licence not required to deal in postage stamps.

- (1) A licence under section 3 of the Stamp Duties Management Act 1891 shall not be required by any person to deal in postage stamps, and accordingly in that Act—
 - (a) any reference in section 3, 4 or 6 to stamps shall be construed as a reference to stamps other than postage stamps;
 - (b) in relation to postage stamps, any reference in section 12, 17(2) or 17(3) to a person duly licensed to deal in stamps shall be construed as a reference to a person lawfully dealing in postage stamps;
 - (c) in relation to postage stamps, section 18(1) shall have effect as if the words "or being or having been licensed to deal in stamps" were omitted.
- (2) In this section, the expression "postage stamp" means a stamp within the meaning of the said Act of 1891 for denoting an amount of postage, whether or not it can also be used for revenue purposes.
- (3) This section shall come into force at the expiration of the period of three months beginning with the date of the passing of this Act.

49 Power to inspect books of agents concerned with foreign dividends etc.

- (1) Subject to subsection (3) of this section, the Commissioners of Inland Revenue may by notice in writing served on any chargeable person within the meaning of Part III of Schedule 8 to the Income Tax Act 1952 (persons entrusted with or obtaining,

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payment of foreign dividends etc., or concerned in certain dealings in coupons) require him, within such time as may be specified in the notice, to make available at his premises for inspection by an officer authorised by the Commissioners all such books and other documents in the possession or control of that person as the officer may reasonably require for the purpose of determining whether any accounts delivered to the Commissioners by that person under that Schedule are correct and complete.

- (2) Part III of the Finance Act 1960 (penalties) shall have effect as if subsection (1) above were among the provisions specified in column 2 of Schedule 6 to that Act.
- (3) The Commissioners may grant a certificate exempting any chargeable person from the foregoing provisions of this section, and while the certificate is in force the powers conferred by those provisions shall not be exercisable in relation to that person; and any such certificate may be revoked at any time by the Commissioners, and may contain such terms and conditions as they think proper.

50 Information relating to stock jobbers' transactions.

- (1) The Board may exercise the powers conferred by this section as respects, and in connection with, any business which is, or has been, carried on by a jobber or dealing broker whose liability to tax in respect of the business is determined on the footing that any excess of his payments in respect of interest on securities over his receipts in respect thereof, being payments made or receipts accrued in pursuance of a contract for the sale or purchase of the securities, is to be treated for all the purposes of the Income Tax Acts or the Corporation Tax Acts as an annual payment made by him.
- (2) With a view to obtaining information about transactions in the course of a business within subsection (1) above, the Board may serve on the jobber or dealing broker by whom the business is or has been carried on a notice requiring him to make available within a time specified in the notice, for inspection by an inspector or other officer of the Board, all such books, accounts and other documents in his possession or power as may be specified or described in the notice, being books, accounts or other documents which in the opinion of the Board contain or may contain information directly or indirectly relating to any such transactions.
- (3) The Board may serve on any broker a notice requiring him to make available within a time specified in the notice, for inspection by an inspector or other officer of the Board, all such books, accounts or other documents in his possession or power as may be specified or described in the notice, being books, accounts or other documents which in the opinion of the Board contain or may contain information relating directly or indirectly to transactions in the course of a business within subsection (1) above.
- (4) The Board may by notice in writing require—
 - (a) a person, other than a broker, who has directly or indirectly received from a jobber or dealing broker any payment made by the jobber or dealing broker in the course of a business within subsection (1) above, being a payment treated by the jobber or dealing broker as made in respect of interest on securities, to state within a time specified in the notice whether the amount received is in whole or in part received on behalf of, or for payment on to, any other person and, if so, to furnish the name and address of that other person, or
 - (b) a person who has directly or indirectly paid to a jobber or dealing broker any sum constituting a receipt by him in the course of a business within subsection (1) above, being a receipt treated by the jobber or dealing broker as accruing in respect of interest on securities, to state within a time specified

in the notice whether the amount paid is in whole or in part received from, or paid on account of, any other person and, if so, to furnish the name and address of that other person.

- (5) Section 250(4) of the Income Tax Act 1952 (power to obtain information from nominee shareholders) shall apply for the purpose of obtaining (from any persons to whom that section applies, whether brokers or jobbers or not) information directly or indirectly relating to any transactions in the course of a business within subsection (1) above, and shall so apply as if for references to shares in a company there were substituted references to securities.
- (6) The Board may not exercise their powers under the foregoing provisions of this section for the purpose of obtaining information relating to transactions in any income tax year of assessment ending more than six years before the service of the notice, but, subject to the foregoing provisions of this subsection, the transactions in respect of which they may exercise those powers shall include transactions before the passing of this Act.
- (7) Part III of the Finance Act 1960 (penalties) shall have effect as if subsections (2), (3) and (4) of this section were included in the second column of Schedule 6 to that Act.
- (8) In this section—
 - " the Board " means the Commissioners of Inland Revenue,
 - " broker " means a member of a stock exchange in the United Kingdom other than a jobber,
 - " dealing broker ", in relation to any sale of securities, means a member of a stock exchange in the United Kingdom, other than the London Stock Exchange, who is recognised by the committee of his exchange as carrying on the business of a dealer and authorised by them to deal in those securities,
 - " jobber " means a member of the London Stock Exchange who is recognised by the committee thereof as carrying on the business of a jobber.
 - " securities " includes shares, and " shares ", except where the context otherwise requires, includes stock, and references to interest include references to dividends.

51 Members of Parliament of Northern Ireland: Pension Fund and annuity premiums.

- (1) Subsections (2) and (3) below shall have effect with respect to the Members' Contributory Pension (Northern Ireland) Fund constituted under section 3 of the Ministerial Salaries and Members' Pensions Act (Northern Ireland) 1965, and sums payable thereout under section 12(1) of that Act (transfer to other pension schemes of sums representing value of accrued pension rights).
- (2) Section 385(2) of the Income Tax Act 1952 (exemption from tax in respect of income of the House of Commons Members' Fund) shall apply in relation to the Fund, and accordingly the Fund shall be included among those referred to in section 36(2) of the Finance Act 1965 (by virtue of which, in the case of funds the income of which is exempt from tax under enactments which include the said section 385, gains accruing from the acquisition and disposal of assets are not chargeable gains).

This subsection shall have effect for the year 1965-66 as well as subsequent years of assessment.

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- (3) Any sum payable out of the Fund as mentioned in subsection (1) above shall be treated for the purposes of the Income Tax Acts as having been paid in commutation of an annuity payable by a superannuation fund within the meaning of section 379 of the Income Tax Act 1952 (approved superannuation funds), and the Fund shall be treated as such a superannuation fund for the purposes of any regulations under that section.
- (4) For the purposes of Part III of the Finance Act 1956 (retirement and other annuities), so much of the salary of the holder of any office to which this subsection applies who is also a Member of the House of Commons of Northern Ireland as is equal to the salary to which, pursuant to any Resolution of that House relating to the remuneration of Members, he would be entitled if he did not hold that office shall be treated as remuneration from the office of Member, and not from the office to which this subsection applies, and shall accordingly be treated for the purposes of Part I of Schedule 3 to that Act as pensionable emoluments from the office of Member.

The offices to which this subsection applies are those of Chairman of Ways and Means of the House of Commons of Northern Ireland and Attorney General for Northern Ireland.

52 Amendments of Sugar Act 1956.

- (1) No surcharge, surcharge repayment, distribution payment or distribution repayment shall be payable under the Sugar Act 1956 in respect of sugar or invert sugar used in the manufacture of concentrated cane juice, partly inverted, of the kind known as high test, invert, or fancy molasses.
- (2) Section 8 of that Act (which, as amended by Schedule 5 to the Finance Act 1962, provides for surcharge repayments by reference to the circumstances in which drawback of sugar duty was allowable immediately before 10th April 1962) shall have effect as if, immediately before that day, section 218(1)(c) of the Customs and Excise Act 1952 (which provided for drawback on sugar, etc., used in the brewing of beer warehoused for exportation or for use as stores) had been amended by substituting, for the words from " used " to the end, the words " used in the manufacture of beer exported, shipped as stores, or warehoused for exportation or for use as stores ".

53 Short title, construction, extent and repeals.

- (1) This Act may be cited as the Finance Act 1966.
- (2) In this Act Part I shall be construed as one with the Customs and Excise Act 1952, and in that Part " the Act of 1952 " is that Act; Part II shall be construed as one with the Income Tax Acts; Part III shall be construed as one with the Corporation Tax Acts; Part IV, so far as it relates to the Corporation Tax Acts, shall be construed as one with those Acts, so far as it otherwise relates to income tax, shall be construed as one with the Income Tax Acts and so far as it relates to the profits tax shall be construed as one with the enactments relating to the profits tax ; Part V so far as it relates to estate duty shall be construed as one with the Finance Act 1894; and so much of Part VII as relates to stamp duties shall be construed as one with the Stamp Act 1891.
- (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) Except as otherwise expressly provided, 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) This Act, in so far as it affects the operation of the Sugar Act 1956, shall extend to the Isle of Man.
- (6) This Act, in so far as it amends the enactments relating to friendly societies, shall extend to the Channel Islands and the Isle of Man.
- (7) The enactments mentioned in Schedule 13 to this Act are hereby repealed to the extent mentioned in the third column of that Schedule, but subject to any provision in relation thereto made at the end of any Part of that Schedule.

SCHEDULES.

SCHEDULE 1

Section 2.

RELIEFS FOR SHIPBUILDERS.

PART I

DETERMINATION OF OPEN MARKET VALUE

- 1 (1) The open market value of any vessel or other structure and its fittings and equipment shall be taken for the purposes of section 2 of this Act to be the price which they would fetch at the time of their delivery pursuant to the contract in question on a sale in the open market between buyer and seller independent of each other.
- (2) The said price shall be determined on the assumption that the buyer will bear freight, insurance and all other costs, charges and expenses incurred in respect of the vessel or structure and other items in question after their delivery as aforesaid or, where delivery is to be effected outside the United Kingdom, after their departure from the United Kingdom for the purpose.
- (3) For the purposes of this paragraph, a sale in the open market between a buyer and seller independent of each other presupposes—
- (a) that the vessel or structure and other items in question are the sole consideration for the price paid, and
 - (b) that the price is not influenced by any commercial, financial or other relationship, whether by contract or otherwise, between the seller or any person associated in business with him and the buyer or any person associated in business with him (other than the relationship created by the sale of the said vessel or structure and other items), and
 - (c) that neither the seller nor any person associated in business with him has provided any part of the price, and that no part of the price will be returned to the buyer or any person associated in business with him.
- (4) For the purposes of the last foregoing sub-paragraph, two persons shall be deemed to be associated in business with one another if, whether directly or indirectly, either of them has any interest in the business or property of the other, or both have a common interest in any business or property, or some third person has an interest in the business or property of both of them.

PART II

REDUCTIONS IN PURCHASE PRICE OR OPEN MARKET VALUE

- 2 (1) Where the amount payable in respect of any vessel or other structure under the said section 2 is, by virtue of subsection (3) thereof, to be determined by reference to the price payable as mentioned in that subsection, then—

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- (a) if the terms of the contract in question are such that the applicant for the payment will bear any of the following, that is, any freight, insurance or other costs, charges or expenses incurred in respect of the vessel or structure or its fittings or equipment after their delivery pursuant thereto or, where delivery is to be effected outside the United Kingdom, after their departure from the United Kingdom for the purpose, the price shall be treated for the purposes of that subsection as reduced by an amount reflecting the burden thus assumed by the applicant;
 - (b) if the whole or any part of the price is payable twelve months or more after the time when the property in the vessel or structure passes or, if later, the time of delivery of the vessel or structure or of its departure from the United Kingdom for the purpose of delivery, the price shall be treated for those purposes as reduced by an amount representing the discount which would be chargeable for obtaining payment at that earlier time at a rate of interest equal to the bank rate then prevailing.
- (2) In the foregoing sub-paragraph " bank rate " means the minimum rate at which the Bank of England will lend to a discount house having access to the Discount Office of the Bank.
- 3 If, after consultation with the Board of Trade, it appears to the Commissioners that the fittings and other equipment supplied with any vessel or other structure include any items the supply of which would not in the ordinary course of events be undertaken by a person building such a vessel or structure for delivery to another as that other's property, the price or, as the case may be, open market value referred to in the said subsection (3) shall be treated for the purposes of that subsection as reduced by an amount equal to the open market value of the items in question ; and the provisions of paragraph 1 of this Schedule shall apply for the purpose of determining that value, subject to any necessary modifications.

PART III

SUPPLEMENTAL

- 4 The following provisions of the Act of 1952 shall apply in relation to payments under the said section 2 as they apply in relation to drawbacks, allowances or repayments under that Act, that is to say, section 270 (time limit on payment), section 271(1) (offences in connection with claims) and section 301(2) (recovery of overpayments).
- 5 (1) Any officer or person authorised by the Commissioners may require any person who has been concerned at any stage with a vessel or other structure in respect of which an application has been made under the said section 2, or with any fittings or other equipment supplied therewith, or with any payment in respect of the vessel or structure or any fittings or other equipment so supplied—
 - (a) to furnish, within such time as that officer or person may require, such information as may be reasonably necessary to enable the Commissioners to determine whether the applicant is entitled to a payment under that section, or liable to make any repayment thereunder, or to determine the amount of any payment to which the applicant is so entitled, and
 - (b) to produce for inspection by that officer or person, at such time and place as he may require, any books or accounts or other document of whatever

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nature relating to, or to any payment in respect of, the said vessel, structure, fittings or equipment.

- (2) Any such officer or person shall be entitled to take extracts from or make copies of any document produced to him under the foregoing sub-paragraph.
 - (3) If any person fails to comply with any requirement under sub-paragraph (1) above, he shall be liable to a penalty of one hundred pounds, together with a further penalty of ten pounds for each day during which failure to comply with the requirement continues.
- 6 (1) Any dispute as to the determination for the purposes of an application under the said section 2 of the price or value referred to in subsection (3) of that section, or of any amount by which that price or value is to be treated as reduced by virtue of subsection (4) thereof, shall be referred to a referee appointed in accordance with the next following sub-paragraph.
- (2) A reference under the foregoing sub-paragraph shall be to a person (not being an official of any government department) appointed by the Lord Chancellor or, if the application for the purposes of which the determination is made relates to a vessel or structure constructed in Scotland or Northern Ireland, or was by a company incorporated in Scotland or Northern Ireland, and the applicant in either case so requires, appointed by the Lord President of the Court of Session or as the case may be, the Lord Chief Justice of Northern Ireland.
- (3) The procedure on any such reference shall be such as the referee may determine.
- (4) Sub-paragraph (1) above shall not have effect, and any price, value or amount falling to be determined for the purposes of the said subsection (3) or (4) shall be that fixed by the Commissioners, unless, within three months from the time when the Commissioners' final determination thereof is communicated to him, or such longer time as the Commissioners may allow, a notice requiring a reference under that sub-paragraph has been served on the Commissioners by the person for the purposes of whose application the determination was made.
- 7 The making by the Commissioners of a payment under the said section 2 determined by reference to the price or value referred to in subsection (3) of that section, or that price or value as reduced by virtue of subsection (4) thereof, shall not be taken as constituting the making by the Commissioners of a final decision under the said subsection (3).

SCHEDULE 2

Section 10.

APPLICATION OF CUSTOMS AND EXCISE ACT 1952 TO HOVER VEHICLES.

Tonnage limits.

- 1 The tonnage of a hover vehicle shall be regarded for the purposes of the Customs and Excise Act 1952 as below the tonnage limits in that Act in—
- section 50(2) (stores),
 - section 68(1) (regulations to prevent smuggling),
 - section 107(1) (importation and exportation of spirits),
 - section 173(1)(b) (importation of tobacco),

sections 277(3), 278(1) and 279(1) (forfeiture of ships),
and section 48(1) of that Act (goods which may not be exported in small ships)
shall not apply to hover vehicles.

Forfeiture of vessels.

- 2 Sections 107(4) and 173(3) of the said Act (enforcement of duties on spirits and tobacco) shall apply as if any reference to a ship included a reference to a hover vehicle.

Passenger vessel licences.

- 3 Section 153 of the said Act (excise licences) shall apply as if any reference to a vessel included a reference to a hover vehicle.

Oils used in boats and vessels.

- 4 (1) Paragraphs (b) and (c) of section 205 of the said Act (relief for oils etc., used in lifeboats) shall apply to hover vehicles as if they were boats or vessels.
- (2) This Act shall not be taken as applying section 204 of the said Act (relief from duty of oils used as fuel for ships in home waters) to hover vehicles.

SCHEDULE 3

Section 15.

SUPPLEMENTARY PROVISIONS AS TO DUTIES RELATING TO BETTING AND GAMING.

PART I

DUTIES RELATING TO BETTING

- 1 (1) The general betting duty shall be under the care and management of the Commissioners and shall be accounted for by such persons, and accounted for and paid at such times and in such manner, as may be required by or under regulations of the Commissioners.
- (2) Any such regulations may in particular—
- (a) provide for payments on account of the duty which may become chargeable to be made in advance by means of stamps or otherwise, and for that purpose apply, with any necessary adaptations, any of the provisions of the Stamp Duties Management Act 1891 (including the penal provisions repealed save as to Scotland by the Forgery Act 1913);
 - (b) provide for such payments to be made through the persons providing, at the place where any event is or is to be held, facilities for persons engaging or proposing to engage at that place in an activity by reason of which they are or may be or become liable for the duty;
 - (c) require persons providing such facilities as aforesaid at any place to perform other functions in connection with the payment of or accounting for the duty by persons engaging or proposing to engage as aforesaid at that place, including the refusal to any of the last-mentioned persons of access to

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- that place unless the requirements of any regulations made by virtue of paragraph (a) or (b) of this sub-paragraph have been complied with;
- (d) otherwise provide for the giving of security by means of a deposit or otherwise for duty due or to become due.
- 2 (1) Subject to sub-paragraph (2) of this paragraph, and without prejudice to paragraph 18 of this Schedule, paragraphs 2 and 3 of Schedule 1 to the Betting Duties Act 1963 shall have effect for the purposes of section 12 of this Act as if any reference in those paragraphs to the pool betting duty included a reference to the general betting duty.
- (2) The said paragraphs 2 and 3 in their application to the general betting duty shall have effect subject to the following modifications, that is to say :—
- (a) the said paragraph 2 (which requires notice to the Commissioners of a business involving liability to duty) shall not require a person to make entry of premises used for the purposes of the business in connection only with such betting operations (in this sub-paragraph referred to as " general betting operations") as do not involve liability to the pool betting duty, but shall require him not later than the date when he first uses any premises for the purposes of the business in connection with general betting operations to notify the Commissioners of those premises being so used (whether or not he is also required by the said paragraph 2 to make entry of them): and in relation to books, records, accounts and other documents relating to general betting operations the reference in the said paragraph 3 to premises of which entry has been made under the said paragraph 2 shall have effect as a reference to such of the premises used for the purposes of the business as the Commissioners may direct;
- (b) the said paragraph 2 shall also require a bookmaker to notify the Commissioners of the name of any person acting as his agent for receiving or negotiating bets made otherwise than by way of pool betting or coupon betting or for otherwise conducting general betting operations, and the address of any such person (including any address at which he so acts), but nothing in this provision shall prejudice the separate application of the said paragraphs 2 and 3 to any such person as aforesaid carrying on activities which may involve sums becoming payable by him by way of the general betting duty;
- (c) in the case of a person who at the date when this Act is passed is carrying on or intending to carry on a business which may involve sums becoming payable by him by way of the general betting duty, the said paragraph 2 shall have effect so as to require him to notify the Commissioners of his doing so or intending to do so and of the matters referred to in the foregoing provisions of this sub-paragraph not later than one week after that date, unless apart from this provision he would be required by the said paragraph 2 to notify them only by a later time.
- (3) The power of the Commissioners under sub-paragraph (b) of the said paragraph 3 to give directions as to the period for which a person carrying on such a business as is mentioned in the said paragraph 2 is to preserve any books, records, accounts or documents relating to the business shall be exercisable in relation to any particular class of such books, records, accounts or documents as well as in any particular case.
- 3 Where in the case of any track or other premises an officer has reason to believe that bookmaking on events taking place thereon is being or is to be carried on, or that facilities for sponsored pool betting on those events are being or are to be provided, or that a totalisator is being or is to be operated in connection with those events, at

a place on those premises or on any ground or premises adjacent thereto, he shall be entitled for the purpose of exercising the powers conferred by this paragraph to be admitted without payment to that place, and he may require—

- (a) any person who appears to him to be or intend carrying on bookmaking, providing such facilities or operating a totalisator there to give such information as he may demand, and to produce to him any accounts, records or other documents which appear to him to be connected with the business of bookmaking or with the provision of those facilities or the operation of that totalisator or which it appears to him will establish the identity of that person ; and
- (b) any person who appears to him to have made a bet there with any bookmaker, or through the persons providing any such facilities, or by means of a totalisator, to give such information with respect to the bet as he may demand and to produce to him any document in connection with the bet supplied to that person by the bookmaker, the persons providing those facilities, or the operator of that totalisator, as the case may be,

and any such person as aforesaid shall comply with any such requirement.

4 Where an officer—

- (a) has reason to believe that any person who is not a bookmaker is holding himself out as mentioned in section 15(1) of this Act at any place, and
- (b) has reason to-suspect that person to have become liable by virtue of the said section 15(1) to pay an amount by way of the general betting duty or pool betting duty,

the officer shall have the like powers with respect to that place as if the person so holding himself out were a bookmaker and that place were such a place as is mentioned in paragraph 3 of this Schedule.

5 Where an amount is due on account of the general betting duty from any person, but by reason of his failure to keep or to produce or furnish to the proper officer the accounts, records or other documents required under or by virtue of this Schedule, or to take or permit to be taken any other step which he is so required to take or permit to be taken, or by reason of the accounts, records or other documents kept, produced or furnished being materially incomplete or inaccurate, the Commissioners are unable to ascertain the amount of duty properly due from him, the Commissioners may estimate the amount due ; and (without prejudice to the recovery of the full amount due or to the making of a further estimate in that behalf) the amount estimated shall be recoverable as duty properly due unless in any action relating thereto the person liable proves the amount properly due, and that amount is less than the amount estimated.

6 In Schedule 1 to the Betting, Gaming and Lotteries Act 1963 (which relates to the grant, renewal and cancellation of bookmaker's permits, betting agency permits and betting office licences)—

- (a) any reference to the appropriate officer of police—
 - (i) in paragraph 5, 7(b), 21(3), 25 or 27(1) shall include a reference to the Collector of Customs and Excise for the area in which the relevant premises within the meaning of that Schedule are, or are to be, situated ;
 - (ii) in paragraph 11 or 27(2) shall include a reference to the Commissioners;

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- (b) in paragraph 34 (which relates to the right to inspect registers of bookmaker's permits and betting agency permits), the reference to any constable shall include a reference to any officer;

and in considering for the purposes of paragraph 16(1), 17(b) or 27(4)(a) of that Schedule whether a person is or is not a fit and proper person to hold a bookmaker's permit or, as the case may be, whether the applicant for the grant or renewal of a betting agency permit is or is not a fit and proper person to hold a betting office licence, the appropriate authority shall have regard to any failure of that person or applicant to pay any amount due from him by way of the general betting duty or the pool betting duty.

PART II

DUTIES RELATING TO GAMING

Gaming and gaming machine licences.

- 7 An application for a gaming licence or a gaming machine licence in respect of any premises shall be made to the Commissioners not later than fourteen days before—
- (a) 1st October 1966 ; or
 - (b) in the case of a gaming licence, the first day after 1st October 1966 on which the premises are to be used for gaming by way of bingo or of any other game to which section 13 of this Act for the time being applies ; or
 - (c) in the case of a gaming machine licence, the first day after 1st October 1966 on which a gaming machine to which the licence is applicable is to be brought onto those premises.
- 8 The Commissioners may by regulations provide for the adjustment (by way of repayment or of a further charge of duty) of the duty charged on a gaming licence in respect of any premises where that duty is determined by reference to the rateable value of a hereditament consisting of or comprising those premises and an alteration of the valuation list affecting that hereditament or that rateable value comes into effect as respects the whole of the period of validity of that licence.
- 9 Section 234 of the Customs and Excise Act 1952 (which relates to payment for excise licences by cheque) shall apply to the duty on a gaming licence or a gaming machine licence as if for the reference to a penalty of fifty pounds there were substituted a reference to a penalty of five hundred pounds.
- 10 The proper officer may, in such manner as the Commissioners may direct, and without any additional payment—
- (a) transfer a gaming licence in respect of any premises to a successor in title to the interest in those premises of the person to whom the licence was granted ;
 - (b) amend a gaming machine licence by substituting different premises for those in respect of which it is for the time being in force.
- 11 If while a gaming licence or gaming machine licence is in force in respect of any premises, and not later than the end of June immediately preceding the date when the licence is due to expire, the holder of the licence surrenders the licence to the proper officer and satisfies the proper officer—

- (a) in the case of a gaming licence, that those premises will not be used on or after the date of surrender of the licence for the purpose of gaming by way of bingo or, as the case may be, by way of any game to which section 13 of this Act for the time being applies ; or
- (b) in the case of a gaming machine licence, that no gaming machine to which in accordance with section 14(3) of this Act the licence could be applicable will be kept on those premises on or after the date of the surrender of the licence,

he shall be entitled in respect of the period of validity of the licence unexpired at that date to repayment of the following proportion of the full amount of the duty chargeable on such a licence in respect of those premises, that is to say—

- (i) if the licence is surrendered before 1st January, three-quarters :
- (ii) if the licence is surrendered on or after 1st January but before 1st April, one-half ;
- (iii) if the licence is surrendered on or after 1st April, one-quarter.

12 Where a gaming licence is granted after 30th June and before 1st October in any year—

- (a) to a person who has not within the two years ending with 30th September last preceding the grant of the licence held a gaming licence of any description; and
- (b) in respect of premises in respect of which no such licence has been in force at any time during those two years,

the licence may be granted so as to expire at the end of 30th September falling between three and fifteen months after the date of the grant.

13 Where the holder of a gaming licence or gaming machine licence in respect of any premises applies before the date of the expiration of that licence for an identical licence in continuation thereof, the new licence may be granted before that date so as to take effect on the day after that date, and section 13(3) or, as the case may be, 14(5) of this Act shall apply as if the licence had been granted on that day.

Provision of information, etc.

14 Where at or at any time after the passing of this Act any premises are, or are to be, used for such a purpose and in such circumstances that their use for that purpose and in those circumstances on or after 1st October 1966 requires a gaming licence or a gaming machine licence to be in force in respect of those premises, the person so using or proposing so to use those premises shall inform the Commissioners of that use or proposed use of those premises not later than ten days after the date of the passing of this Act or the first day thereafter on which the premises are so used.

15 Any person who engages in Great Britain by way of business in importing, manufacturing, selling, hiring or otherwise supplying gaming machines shall—

- (a) keep such records with respect to the gaming machines imported, manufactured, sold, hired or otherwise supplied by him as the Commissioners may direct and preserve those records for such period as the Commissioners may direct on such premises used for the purposes of his business as the Commissioners may approve;
- (b) permit any officer to enter on any premises used for the purposes of his business, and to inspect any gaming machines on those premises and inspect and take copies of any such records as aforesaid;

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and any such person, and any other person employed in, or having functions in connection with, his business shall, if required so to do by the Commissioners or an officer, produce, at a time and place to be specified by the Commissioners or officer, any such records as aforesaid and give such other information relating to the gaming machines imported, manufactured, sold, hired or otherwise supplied by him as the Commissioners or officer may require.

- 16 Any officer may enter on any premises in respect of which a gaming machine licence is in force, and on any other premises on which he has reason to suspect that gaming by means of gaming machines is carried on, and inspect those premises and any gaming machine thereon and require the production of any gaming machine licence for the time being in force in respect of those premises ; and any person concerned in the management of those premises shall comply or secure compliance with any such requirement and give such other information with respect to the use or keeping of gaming machines on those premises as the officer may require.

Modification of agreements.

- 17 (1) Where a person who is granted a gaming licence or gaming machine licence in respect of any premises has before 1st October 1966 entered into an agreement with any other person whereby that other person is entitled to use those premises after that date for the purpose of gaming or, as the case may be, whereby the first-mentioned person provides a gaming machine to be made available by that other person for play on those premises after that date, and the consideration from that other person under that agreement does not take account of the duty on that licence, the first-mentioned person shall be entitled to recover from that other person such amount, if any, not exceeding the amount of the duty, in such manner, as may be agreed between them (or, in default of such agreement, as may be determined by the appropriate court) to be fair in all the circumstances, having regard in particular to the extent, if any, to which, while the licence is in force, the premises will be or are likely to be used otherwise than by that person for the purpose of gaming or, as the case may be, to the period for which, under the agreement, the first-mentioned person is to provide a gaming machine as aforesaid on those premises.
- (2) In the foregoing sub-paragraph, the expression " the appropriate court " means—
- (a) where the premises in question are situated in England or Wales and the amount of the duty on the licence in question exceeds £5,000, the High Court;
 - (b) in any other case, the county court or, if the premises in question are situated in Scotland, the sheriff.

PART III

ENFORCEMENT AND GENERAL

- 18 (1) Without prejudice to any other provision of this Schedule, the Commissioners may make regulations providing for any matter for which provision appears to them to be necessary for the administration or enforcement of the general betting duty or the duty on gaming licences or on gaming machine licences, or for the protection of the revenue from any of those duties.
- (2) Regulations under this paragraph may in particular include provision—

- (a) for the furnishing to such persons or displaying in such manner of such information or records as the regulations may require by persons engaging or proposing to engage in any activity by reason of which they are or may be or become liable for duty, and by persons providing facilities for another to engage in such an activity or entering into any transaction with another in the course of any such activity of his;
- (b) for the keeping, preservation and production of accounts, records or other documents by persons engaging in any such activity;
- (c) for the inspection of the accounts, records and other documents of persons engaging or suspected of engaging in any such activity, and of premises or equipment used or suspected of being used by such persons for or in connection with any such activity and of any other premises where any such activity is carried on.

19 Paragraphs 4, 5 and 6 of Schedule 1 to the Betting Duties Act 1963 (which relate to offences and penalties) shall have effect as if—

- (a) in the said paragraph 4 for the words " at the election of the Commissioners" there were substituted the words " whichever is the greater ";
- (b) any reference in the said paragraph 4 to the pool betting duty included a reference to the general betting duty;
- (c) the references in sub-paragraph (b) of the said paragraph 4 and in the said paragraph 5 to the provisions of paragraph 2 or 3 of that Schedule included a reference to the provisions of, or of any regulations "made under, any of the following paragraphs of this Schedule, namely, paragraph 1, paragraph 3 (including that paragraph as applied by paragraph 4), and paragraphs 14, 15, 16 and 18 ;
- (d) the references in sub-paragraphs (c) and (d) of paragraph 4 of that Schedule to the pool betting duty included references to the provisions of this Act relating to gaming or gaming machines ;

and, without prejudice to section 7(2) of that Act (which provides for that Act to be construed as one with the Customs and Excise Act 1952), paragraphs 7 and 8 of that Schedule shall cease to have effect.

20 (1) Where, on the conviction by virtue of paragraph 19 of this Schedule of any person of an offence under paragraph 4 of Schedule 1 to the Betting Duties Act 1963 in connection with the general betting duty, the Commissioners—

- (a) certify to the court by or before whom that person is so convicted that the conviction is a second or subsequent conviction for such an offence committed (whether by that or some other person) in the course of the operation of the same premises as a licensed betting office and while the same person has been the holder of a betting office licence in respect thereof ; and

(b) make application to that court for effect to be given to this sub-paragraph, that court shall order that the betting office licence in respect of those premises shall be forfeited and cancelled.

(2) A licence shall not be forfeited or cancelled under such an order made by a court in England or Wales—

- (a) until the date of expiration of the period within which notice of appeal against the conviction which gave rise to the order may be given ; or

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- (b) if notice of appeal against that conviction is duly given within the period aforesaid, until the date of the determination or abandonment of the appeal; or
 - (c) if on any such appeal the appeal is allowed.
- (3) A licence shall not be forfeited or cancelled under such an order made by a court in Scotland—
 - (a) until the expiration of the period of fourteen days commencing with the date on which the order was made ; or
 - (b) if an appeal against the conviction which gave rise to the order is begun within the said period, until the date when that appeal is determined or abandoned or deemed to have been abandoned; or
 - (c) if on any such appeal the appeal is allowed.
- (4) Where a betting office licence held by any person in respect of any premises is forfeited and cancelled in pursuance of an order under sub-paragraph (1) of this paragraph, the clerk of the court by whom the order was made shall, unless he is also clerk to the appropriate authority within the meaning of Schedule 1 to the Betting, Gaming and Lotteries Act 1963 who last either granted or renewed the licence, send a copy of the order to the clerk to that authority ; and, without prejudice to the renewal by that authority of any other betting office licence held by that person, that authority shall, notwithstanding anything in paragraph 20(1) of the said Schedule 1, refuse any application by that person for the grant of a new betting office licence in respect of those or any other premises made less than twelve months after that forfeiture and cancellation.
- 21 (1) If any premises are used for the purposes of gaming in contravention of section 13(1) of this Act—
 - (a) any provider of the premises and any person concerned in the organisation or management of the gaming shall each be liable—
 - (i) on summary conviction to a penalty of treble the amount of the duty on the appropriate gaming licence, or to imprisonment for a term not exceeding twelve months, or to both ;
 - (ii) on conviction on indictment, to the like penalty, or to imprisonment for a term not exceeding two years, or to both ; and
 - (b) in addition and without prejudice to any liability under paragraph (a) of this sub-paragraph, unless and until the appropriate gaming licence in respect of those premises is taken out during the period of twelve months beginning with 1st October during which the contravention occurred, an amount equal to the duty on the appropriate gaming licence, together with interest thereon from the date of the contravention, shall become due and be recoverable as a debt due to the Crown jointly and severally from all or any of the persons liable under the said paragraph (a).
- (2) The court by or before whom a person is convicted under sub-paragraph (1)(a) of this paragraph may order anything produced to the court and shown to the satisfaction of the court to relate to the contravention to be forfeited and either destroyed or dealt with in such other manner as the court may order.
- 22 (1) If any gaming machine is brought onto or kept on any premises in contravention of section 14(1) of this Act, each of the following persons, namely—
 - (a) any person who controls the use of such machines while on those premises ;
 - (b) any other person responsible for the management of those premises ;

- (c) in the case of such a contravention by reason of the absence of a gaming machine licence which would fall to be granted to the supplier of such a machine on the premises, that supplier, shall be liable to a penalty of five hundred pounds.
- (2) In the case of any such contravention of the said section 14(1) as is referred to in subparagraph (1) of this paragraph, if any of the persons so referred to was knowingly or recklessly concerned in that contravention, or if any other person was knowingly concerned in, or in the taking of steps with a view to, that contravention, he shall be liable—
- (a) on summary conviction, to a penalty of one thousand pounds, or to imprisonment for a term not exceeding twelve months, or to both ;
 - (b) on conviction on indictment, to the like penalty, or to imprisonment for a term not exceeding two years, or to both.
- (3) If any gaming machine licence which is or ought to be in force in respect of any premises is not produced on those premises to an officer on demand by him—
- (a) the officer may detain all gaming machines found on those premises pending the production of that licence ; and
 - (b) if the appropriate licence valid at the date of the demand for its production is not produced to the officer within seven days, all those machines shall be liable to forfeiture;
- and section 10 of the Customs and Excise Act 1952 (which relates to the obstruction of officers and interference with things liable to forfeiture) shall apply in relation to any gaming machine while it is detained by virtue of paragraph (a) of this subparagraph as it applies in relation to any thing liable to forfeiture.
- 23 (1) If a justice of the peace is satisfied on information on oath that there is reasonable ground for suspecting that an offence in connection with the general betting duty or a contravention of section 13(1) or 14(1) of this Act is being, has been, or is about to be committed on any premises, he may issue a warrant in writing authorising any officer to enter those premises, if necessary by force, at any time within fourteen days from the time of the issue of the warrant and search them ; and any officer who enters the premises under the authority of the warrant may—
- (a) seize and remove any records, accounts or other documents, money or valuable thing, instrument, gaming machine or other thing whatsoever found on the premises which he has reasonable cause to believe may be required as evidence for the purposes of proceedings in respect of such an offence or contravention ; and
 - (b) search any person found on the premises whom he has reasonable cause to believe to be carrying on bookmaking, or, as the case may be, concerned in the organisation or management of gaming on the premises.
- (2) In the application of this paragraph to Scotland, any reference to a justice of the peace includes a reference to the sheriff and to a magistrate.
- 24 (1) If a person, on written demand by the proper officer, refuses or neglects to pay any amount recoverable from him by way of the general betting duty or by virtue of section 15(1) of this Act or paragraph 8 or 21(1)(b) of this Schedule, the amount recoverable may be levied by distress on his goods and chattels, and the proper officer may for that purpose by warrant signed by him authorise any person to distrain accordingly and to sell anything so distrained by public auction after giving six days' notice of the sale.

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- (2) Where an amount recoverable by virtue of the said paragraph 8 or 21(1)(b) is determined by reference to the duty on a gaming licence in respect of premises on which gaming is Carried on as an activity of a club, the goods and chattels on which distress may be levied under sub-paragraph (1) of this paragraph shall include any goods and chattels used for the purposes of the club and found on those premises :

Provided that distress shall not be levied on any goods or chattels by virtue of this sub-paragraph unless a copy of the demand for the amount recoverable has been served on the secretary of the club (or person performing the functions of secretary) by leaving it or sending it by post addressed to him at an address to which communications about the affairs of the club are ordinarily sent.

- (3) The proceeds of sale of anything distrained under this paragraph shall be applied in or towards payment of the costs and expenses of the distress and sale and the payment of the amount recoverable, and the surplus, if any, shall be paid, where distress was levied on any goods or chattels by virtue of sub-paragraph (2) of this paragraph to the secretary (or person performing the functions of secretary) of the club, and in any other case to the person on whom the distress was levied.
- (4) Where under this paragraph distress is levied for any duty in accordance with an estimate made under paragraph 5 of this Schedule, and it is afterwards proved that the amount properly due was less than the amount estimated, that shall not affect the legality of the distress or anything done under this paragraph in connection therewith, but the proceeds of sale shall be applied under sub-paragraph (3) thereof in accordance with the amount properly due and not in accordance with the amount estimated.
- (5) In the application of this paragraph to Scotland, any reference to distress shall be construed as a reference to diligence, any reference to distraining or to the levying of distress shall be construed as a reference to the doing of diligence, and the expression " chattels " means corporeal moveables.

- 25 (1) There shall be included among the debts which—
- (a) under section 33 of the Bankruptcy Act 1914 are to be paid in priority to all other debts in the distribution of the property of a bankrupt or deceased debtor; or
 - (b) under section 118 of the Bankruptcy (Scotland) Act 1913 are to be paid in priority to all other debts in the division of a bankrupt's estate; or
 - (c) under section 319 of the Companies Act 1948 are to be paid in priority to all other debts in the winding up of a company, or under section 94 of that Act are on an appointment of a receiver on behalf of debenture holders or taking of possession by or on behalf of debenture holders to be paid in priority to any claim for principal or interest in respect of the debentures,
- any amount which is due by way of the general betting duty or by virtue of section 15(1) of this Act or paragraph 8 or 21(1)(b) of this Schedule from the bankrupt, deceased debtor or company at the relevant date and which became due within twelve months next before that date.
- (2) In the foregoing sub-paragraph, the expression "the relevant date"—
- (a) in relation to section 33 of the Bankruptcy Act 1914 means the date of the receiving order or of the death, as the case may be;
 - (b) in relation to section 118 of the Bankruptcy (Scotland) Act 1913 means the date mentioned in subsection (4) of that section;

- (c) in relation to section 319 of the Companies Act 1948 has the meaning assigned to it by that section, and in relation to section 94 of that Act means the date of the appointment of the receiver or taking of possession.
- 26 Any regulations of the Commissioners under this Schedule shall be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament.

SCHEDULE 4

Section 25.

DIRECTORS AND EMPLOYEES OF COMPANIES GRANTED RIGHTS TO ACQUIRE SHARES.

Exclusion and modification of other charges to tax.

- 1 (1) Where tax may by virtue of section 25 of this Act (in this Schedule referred to as "the principal section") become chargeable in respect of any gain which may be realised by the exercise of a right, tax shall not be chargeable under any other provision of the Income Tax Acts in respect of the receipt of the right.
- (2) Sub-paragraph (1) above shall not affect tax chargeable under Case I of Schedule E in respect of the receipt of a right granted before 3rd May 1966, but the amount, if any, on which tax is so chargeable shall be taken into account under paragraph (a) and paragraph (b) of subsection (2) of the principal section in relation to the gain realised by the exercise, or by the assignment or release, of the right as if that amount formed part (in addition to any other amount) of the consideration for the grant of the right.
- 2 (1) If a gain chargeable to tax under subsection (1) or subsection (3) of the principal section is realised by the exercise of a right to acquire shares, paragraph 4(1)(a) of Schedule 6 to the Finance Act 1965 (computation of chargeable gains: allowable expenditure) shall apply as if a sum equal to the amount of the gain so chargeable to tax formed part of the consideration given by the person acquiring the shares for their acquisition by him.
- (2) Without prejudice to section 12(4) of the Finance Act 1962 (Case VII of Schedule D: acquisition of assets taken into account as receipts for tax purposes), if a gain chargeable to tax under subsection (1) or subsection (3) of the principal section is realised by the exercise of a right to acquire shares, the amount of the gain or loss accruing to that person on the acquisition and disposal of any of the shares shall be computed for the purposes of the said Case VII as if the acquisition of the shares were for a consideration equal to their market value at the time when the right is exercised.

Power to acquire information from body corporate.

- 3 (1) Where in the year 1966-67 or any subsequent year of assessment a body corporate grants a right in respect of which tax may become chargeable by virtue of the principal section, or allots or transfers any shares in pursuance of such a right, or gives any consideration for the assignment or for the release in whole or in part of such a right, or receives written notice of the assignment of such a right, it shall deliver particulars thereof in writing to the inspector not later than thirty days after the end of that year.
- (2) Part III of the Finance Act 1960 (penalties) shall have effect as if this paragraph were included in the third column of Schedule 6 to that Act.

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SCHEDULE 5

Section 27.

AMENDMENTS OF CORPORATION TAX ACTS.

Payments without deduction of income tax: trading companies owned through a holding company.

- 1 (1) Section 48(3)(b) of the Finance Act 1965 (under which, as extended by subsection (7) of that section, dividends or payments which are charges on income may, subject to Schedule 12 to that Act, be paid by a trading company owned by a consortium without deduction of income tax) shall apply where the business of the company paying the dividends (that is the company owned by the consortium) consists wholly or mainly in the holding of shares or securities of companies which are its ninety per cent. subsidiaries, and which are companies whose business consists wholly or mainly of the carrying on of a trade or trades, as it applies where the business of the company paying the dividends consists wholly or mainly of the carrying on of a trade or trades.
- (2) For the purposes of this paragraph a body corporate shall be deemed to be a ninety per cent. subsidiary of another body corporate if and so long as not less than ninety per cent. of its ordinary share capital is directly owned by that other body corporate, and Part II of Schedule 12 to the Finance Act 1965 shall apply for the purposes of this paragraph as it applies for purposes of section 48 of that Act.

Payments by parent company to subsidiary.

- 2 In the said section 48(7) of the Finance Act 1965 (which applies the conditions in subsection (3) of that section to payments which are charges on income)—
 - (a) before the words " the conditions" there shall be added the word " either", and
 - (b) after the word " dividends " there shall be added the words " or the company receiving the payments is a subsidiary (as defined for the purposes of subsection (3) above) of the other company ".

Exemptions in respect of income tax under Schedule F.

- 3 (1) For the purposes of section 48(4) of the Finance Act 1965 (which excludes from franked investment income distributions which fall within any exemption from income tax having effect at the passing of that Act) the exemptions conferred by sections 439, 440, 447(1)(b) and 449 of the Income Tax Act 1952 (savings banks, friendly societies, trade unions, charities and certain scientific research associations), and the exemption conferred by section 6(2) of the Atomic Energy Authority Act 1954, shall be deemed to be exemptions which at the passing of the Finance Act 1965 extended to dividends on shares of companies resident in the United Kingdom.
- (2) The said section 447(1)(b) of the Income Tax Act 1952 (which includes an exemption for charities which are not companies) shall apply to income tax accounted for under Schedule 12 to the Finance Act 1965 in respect of distributions charged under Schedule F as it applies to tax chargeable under Schedule D in respect of any yearly interest or other payment, and section 451 of the Income Tax Act 1952 (which extends that exemption to certain museums) shall have effect accordingly.

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Covenanted donations to charity.

- 4 A covenanted donation to charity as defined in section 52(4) of the Finance Act 1965 shall not be regarded for the purposes of the definition of "charges on income" in subsection (2) of that section, or for any of the other purposes of the Corporation Tax Acts, as being (by reason of paragraph 9(1)(b) of Schedule 11 to that Act (meaning of "distribution") or of any other provision of that Schedule) a distribution of the company.

*Cases IV and V: interest and other annual payments
before 1966-67 to be allowed as a deduction.*

- 5 The amount of any income assessed under Case IV or V of Schedule D as applied by sections 53 and 54 of the Finance Act 1965 to corporation tax shall be treated as reduced by any yearly interest, annuity or other annual payment payable out of the income to a person not resident in the United Kingdom and paid before the year 1966-67.

Interest payable overseas before 1966-67 to be allowed as a deduction.

- 6 At the end of section 54(3) of the Finance Act 1965 (which prevents interest payable overseas being allowed under section 138 of the Income Tax Act 1952 as a deduction in computing income from a trade) there shall be added the words " in respect of payments made after the year 1965-66 ".

Chargeable gains: assets vested in company liquidator.

- 7 Where assets of a company are vested in a liquidator under section 244 of the Companies Act, 1948, or section 226 of the Companies Act (Northern Ireland) 1960, or otherwise, sections 55 and 82 of the Finance Act 1965 and the enactments applied by those sections (computation of capital gains accruing to companies) shall apply as if the assets were vested in, and the acts of the liquidator in relation to the assets were the acts of, the company (acquisitions from or disposals to him by the company being disregarded accordingly).

*Chargeable gains attributable to investments in
life assurance business held for policy holders.*

- 8 (1) The limit on the rate of corporation tax imposed by section 69(6) of the Finance Act 1965 as it applies to chargeable gains shall be (instead of seven shillings and sixpence in the pound which is equivalent to 37£ per cent.) 37 ½ per cent. or the rate at which capital gains tax is for the time being chargeable under section 20(3) of that Act, whichever is the lower rate.
- (2) In relation to that corporation tax for any accounting period the relevant rate of capital gains tax under the said section 20(3) shall be that for the year of assessment in which that accounting period ends.
- (3) Without prejudice to any other provision of this Act relating to the construction of this Schedule, section 82(6) of the Finance Act 1965 (computation of capital gains tax on companies) shall apply as if its reference to Part IV of that Act included a reference to this paragraph.

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Annuity business of assurance companies.

- 9 (1) Paragraph (b) of section 69(7) of the Finance Act 1965 (repayment of income tax on franked investment income referable to general annuity business of an assurance company and not brought in as income in treating annuities as charges on income) shall not have effect.
- (2) In computing under section 24 of the Finance Act 1956 as applied to corporation tax by section 69(5) of the Finance Act 1965 the profits arising to an assurance company from general annuity business—
- (a) income chargeable to corporation tax (that is to say charged otherwise than under the said section 24) and franked investment income and group income shall not be taken into account as part of those profits, and
 - (b) of the annuities paid by the company and referable to general annuity business, those which under the said section 69(3)(b) are treated as charges on income shall not be deductible and those which are not so treated shall (notwithstanding section 53(5) of the Finance Act 1965) be deductible,
- and the reference in the said section 69(3)(b) to income charged to corporation tax shall not be taken as including a reference to income charged under the said section 24 of the Finance Act 1956.
- (3) Any franked investment income which is taken into account under the said section 69(3)(b) to enable annuities referable to general annuity business to be treated as charges on income shall be left out of account under section 48 of the Finance Act 1965, except that for the purposes of this sub-paragraph there shall be deducted from the amount of the franked investment income of the company arising in any accounting period and taken into account under the said section 69(3)(b)—
- (a) the amount of any profit arising in that accounting period to the assurance company from general annuity business and computed under the said section 24 of the Finance Act 1956, and
 - (b) the amount of any group income arising in that accounting period to the company and referable in accordance with the said section 24 to its general annuity business.
- (4) Subject to sub-paragraph (5) below—
- (a) the exclusion by section 47(1) of the Finance Act 1965 from the charge to corporation tax of franked investment income shall not prevent such income being taken into account as part of the profits in computing under section 24 of the Finance Act 1956 the profits arising to an assurance company from pension annuity business,
 - (b) notwithstanding anything in section 48 of the Finance Act 1965 a company resident in the United Kingdom and carrying on life assurance business shall be entitled to repayment of income tax in respect of franked investment income of the company's annuity fund in so far as it is referable in accordance with the said section 24 to pension annuity business, and
 - (c) any franked investment income on which income tax is so repayable shall be left out of account under the said section 48.
- (5) If for any accounting period there is, apart from this sub-paragraph, a profit arising to an assurance company from pension annuity business and computed under the said section 24, and the company so elects as respects all or any part of its franked investment income arising in that period, being an amount of franked investment

income not exceeding the amount of the said profit, sub-paragraph (4) above shall not apply to the franked investment income to which the election relates.

If an accounting period falls partly in one income tax year of assessment, and partly in another such year, the power of making elections under this sub-paragraph may be exercised separately for the respective parts of the accounting period as if they were separate accounting periods, and an election under this sub-paragraph shall be made by notice in writing given to the inspector not later than two years after the end of the accounting period, or part of an accounting period, to which the election relates, or within such longer period as the Board may by notice in writing allow.

- (6) In computing under the said section 24 of the Finance Act 1956 the profits arising to an assurance company from pension annuity business—
- (a) group income shall not be taken into account as part of those profits,
 - (b) section 53(5) of the Finance Act 1965 shall not prevent annuities paid by the company being deductible.
- (7) In section 69 of the Finance Act 1965, in subsection (5) the words from " and the exclusion" to the end, and in subsection (7) the words from " but notwithstanding " to the end (which are superseded by this paragraph) shall cease to have effect.

Apportionment for surtax of close company's income.

- 10 (1) In section 78(4) of the Finance Act 1965 (which relates the amount of a close company's income apportioned for surtax to the amount of the assessment in respect of the shortfall in its distributions) for the words " and the amount apportioned shall be the amount of that assessment " there shall be substituted the words " and the amount apportioned shall be the amount of the shortfall taken into account in making that assessment. "
- (2) The set off of a surplus of franked investment income against a shortfall under section 77(5) of the Finance Act 1965 shall, so far as it reduces the shortfall, be effected by discharge of the tax assessed under subsection (1) of the said section 77 by reference to the shortfall and accordingly shall not be taken as reducing the amount of the shortfall for the purposes of the said section 78(4).
- 11 (1) For the purposes of section 78(5) of the Finance Act 1965 (apportionments and sub-apportionments for surtax according to interests of participators) a loan creditor shall be deemed to have an interest in any company which is an investment company to the extent that the income to be apportioned or assets representing it has or have been expended or applied, or is or are available to be expended or applied, in redemption or repayment or discharge of the loan capital or debt (including any premium thereon) in respect of which he is a loan creditor.
- (2) In this paragraph " investment company " means a company whose income consists wholly or mainly of investment income, construing " investment income " in accordance with paragraph 8(1) of Schedule 18 to the Finance Act 1965.

Termination of capital gains tax on companies.

- 12 (1) Section 82(1) of the Finance Act 1965 (which relates to companies which have not come within the charge to corporation tax in respect of any source of income or part of a source) shall not apply to any chargeable gain or allowable loss accruing after the end of the year 1965-66 and for the purposes of that subsection a company is

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within the charge to corporation tax mentioned in that subsection at any time after the end of that year.

- (2) If a chargeable gain or allowable loss accrues to a company after the end of the year 1965-66 and at a time not otherwise within an accounting period of the company, an accounting period of the company shall then begin for the purposes of corporation tax, and the gain or loss shall accrue in that accounting period.

Meaning of "distribution".

- 13 (1) Schedule 11 to the Finance Act 1965 (which defines the distributions which are to be company distributions for the purposes of Part IV of that Act) shall be amended as follows.
- (2) In paragraph 1(1)(c) before the word " security" (in both places) there shall be inserted the word " any " (so that paragraph (c) applies to securities whether redeemable or not).
- (3) Paragraph 1(1)(d)(i) (distributions to include interest, etc. on securities within that paragraph (c)) shall not apply in relation to securities issued before 6th April 1965.
- (4) In paragraph 1(1)(d)(iv) (distributions to include interest, etc. on securities issued to a non-resident company which is a subsidiary or in the same group of companies) for the words " issued by the company to a company not resident " there shall be substituted the words " issued by the company and held by a company not resident ".
- (5) At the end of the said paragraph 1(1)(d) there shall be added the following paragraph—
- “(v) securities which are connected with shares in the company, where ' connected with ' means that in consequence of the nature of the rights attaching to the securities or shares, and in particular of any terms or conditions attaching to the right to transfer the shares or securities, it is necessary or advantageous for a person who has, or disposes of or acquires, any of the securities also to have, or to dispose of or to acquire, a proportionate holding of the shares”.

Bonus issues following repayment of share capital to be treated as distributions : exclusion of repayment of preference shares.

- 14 (1) Paragraph 1(3) of the said Schedule 11 (repayment of share capital followed by bonus issue) shall not apply where the repaid share capital consists of fully paid preference shares—
- (a) if those shares existed as issued and fully paid preference shares on 6th April 1965 and throughout the period from that date until the repayment those shares continued to be fully paid preference shares, or
- (b) if those shares were issued after 6th April 1965 as fully paid preference shares wholly for new consideration not derived from ordinary shares and throughout the period from their issue until the repayment those shares continued to be fully paid preference shares.
- (2) In this paragraph—
- " ordinary shares " means shares other than preference shares ;
- " preference shares " means shares—

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- (a) which do not carry any right to dividends other than dividends at a rate per cent. of the nominal value of the shares which is fixed, or fluctuates only with the standard rate of income tax, and
- (b) which carry rights in respect of dividends and capital which are comparable with those general for fixed-dividend shares quoted on stock exchanges in the United Kingdom,

" new consideration not derived from ordinary shares " means new consideration (that is, as defined in Part I of the said Schedule 11) other than consideration consisting of the surrender, transfer or cancellation of ordinary shares of the company or any other company or consisting of the variation of rights in ordinary shares of the company or any other, company, and other than consideration derived from a repayment of share capital paid in respect of ordinary shares of the company or of any other company.

- (3) This paragraph shall be construed as if contained in the said Schedule 11.

Chargeable gains of groups of companies.

- 15 (1) In Part I of Schedule 13 to the Finance Act 1965 references to a company shall include references to any company resident in the United Kingdom which is constituted under any Act, Royal Charter or Letters Patent or is formed under the law of a country or territory outside the United Kingdom.
- (2) This paragraph, so far as it affects capital gains tax under section 82 of the Finance Act 1965, has effect from the beginning of the year 1965-66.

Transitory provisions as to right to set capital allowances against general income.

- 16 (1) Section 20 of the Finance Act 1954 (under which, as amended by section 18 of the Finance Act 1962, capital allowances for a year of assessment may be included in a claim for a loss sustained in the year of assessment which is the basis year) shall, notwithstanding the words "but not after the year 1964-65" in paragraph 20(1) of Schedule 15 to the Finance Act 1965, apply in relation to claims by a company for losses sustained in the year 1965-66, and sub-paragraph (2) of the said paragraph 20 (under which relief for a loss in the year 1965-66 may, so far as it cannot be given against income tax, be given against corporation tax) shall apply accordingly.
- (2) For the purpose of the said section 20 as applied by sub-paragraph (1) above the company shall be treated, in a case where the year 1965-66 is not the basis year for the year itself, on the footing that—
 - (a) section 46(2) of the Finance Act 1965 (which excludes companies from the charge to income tax after the year 1965-66) did not apply in relation to the trade in question, and
 - (b) the period on the profits or gains of which income tax for the year 1966-67 would fall to be finally computed were the twelve months starting at the time at which the company came within the charge to corporation tax in respect of the trade,and relief under the said section 20 may be given accordingly by reference to what, on that footing, would have been the company's capital allowances for the year 1966-67 for income tax purposes.
- (3) Relief in respect of the same matter shall not be given both in a manner authorised under this paragraph and in some other manner.

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Dividend stripping: transition from Income Tax Acts to Corporation Tax Acts.

- 17 (1) This paragraph has effect as respects the application by paragraph 7(2)(b) of Schedule 17 to the Finance Act 1965 (computation of profits or losses for periods before 1966-67 in relation to distributions made in or after that year) of paragraph 5 of Schedule 3 to the Finance (No. 2) Act 1955.
- (2) In applying the said paragraph 5 no regard shall be had to any investment allowances, initial allowances or balancing charges, to any scientific research allowance in respect of expenditure incurred after 5th November 1962, or to so much of any writing down allowance made at a rate determined under section 38 or 39 of the Finance Act 1963 (free depreciation in development districts) or under section 14 of the Finance Act 1965 (annual allowances for new ships) as exceeds an allowance at a yearly rate of fifteen per cent. of the relevant amount of expenditure.

Close companies: meaning of "associate".

- 18 (1) Paragraph 5(c) of Schedule 18 to the Finance Act 1965 (associate of participator to include, where the participator is interested in shares or obligations of the company subject to any trust, any other person interested) shall not apply so as to make an individual an associate as being entitled or eligible to benefit under the trust—
- (a) if the trust relates exclusively to a fund or scheme approved under section 379 or section 388 of the Income Tax Act 1952 (superannuation funds and retirement schemes) or to a scheme the whole of which is an "excepted provident fund or staff assurance scheme or other similar scheme" as defined in section 390 of that Act, or
 - (b) if the trust is exclusively for the benefit of the employees, or the employees and directors, of the company or their dependants (and not wholly or mainly for the benefit of directors or their relatives), and the individual in question is not in receipt of remuneration from the company of more than £4,000 per annum and is not (and could not as a result of the operation of the trust become) either on his own or with his relatives the beneficial owner of more than 5 per cent. of the ordinary share capital of the company.
- (2) In applying sub-paragraph (1)(b) above any charitable trusts which may arise on the failure or determination of other trusts shall be disregarded.
- (3) In this paragraph—
- "director" has the same meaning as in Schedule 18 to the Finance Act 1965,
 - "ordinary share capital" has the same meaning as in paragraph 6(2) of the said Schedule 18,
 - "relative" means husband or wife, parent or remoter forebear, child or remoter issue, or brother or sister, and
 - "remuneration" shall be construed in accordance with section 71 of the Finance Act 1948 (remuneration for profits tax purposes), references to the individual and to this paragraph being substituted for references to a director, and to paragraph 11 of Schedule 4 to the Finance Act 1937, but applying that definition to any office held by the individual as director of the company, as well as to any employment.

Transitional relief for company with overseas trading income which is a member of a group.

- 19 In paragraph 3(3) of Schedule 20 to the Finance Act 1965 (which allows to a member of a group of companies as part of the current overspill under section 84(2) of that Act the appropriate part of another member's excess of current overspill over its relief) for the words " the amount of the relief (before abatement) falling to be given to the other member " there shall be substituted the words " the amount of the relief under the principal section (calculated apart only from any reduction under the proviso to subsection (1) of that section) falling to be given to the other member ".

Commencement.

- 20 This Schedule so far as it affects corporation tax shall have effect for all relevant financial years from the beginning of the year 1964 onwards.

SCHEDULE 6

Section 27.

ADMINISTRATION OF CORPORATION TAX ACTS.

Duty to give notice of liability to corporation tax.

- 1 (1) Every company which is chargeable to corporation tax for any accounting period and which has not made a return of its profits for that accounting period shall not later than one year after the end of that accounting period give notice to the inspector that it is so chargeable:

Provided that this sub-paragraph shall not impose a duty to give any notice before 6th April 1967.

- (2) If a company fails to give a notice which it is required to give under this paragraph the company shall be liable to a penalty not exceeding one hundred pounds.

Returns.

- 2 (1) A company may be required by a notice served on the company by an inspector or other officer of the Board to deliver to the officer within the time limited by the notice a return of the profits of the company computed in accordance with the Corporation Tax Acts—
- (a) specifying the income taken into account in computing those profits, with the amount from each source,
 - (b) giving particulars of all disposals giving rise to chargeable gains or allowable losses under Parts III and IV of the Finance Act 1965, and particulars of those chargeable gains or allowable losses, and
 - (c) giving particulars of all charges on income to be deducted against those profits for the purpose of the assessment to corporation tax.
- (2) A notice under this paragraph may require a return of profits arising in any period during which the company was within the charge to corporation tax.
- (3) Every return under this paragraph shall include a declaration to the effect that the return is correct and complete.

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- (4) A return under this paragraph which includes profits which are payments on which the company has borne income tax by deduction shall specify the amount of income tax so borne.
 - (5) A notice under this paragraph may require the inclusion in the return of particulars of management expenses, capital allowances and balancing charges which have been taken into account in arriving at the profits included in the return.
 - (6) Paragraph 6 of Schedule 10 to the Finance Act 1965 (power to demand information about the acquisition of assets) shall apply in relation to a notice under this paragraph as it applies in relation to a notice under section 7 of the Income Tax Management Act 1964.
 - (7) Section 31 of the Income Tax Act 1952 (production of books and accounts) shall apply where a company is required to make, or makes, a return under this paragraph relating to profits which consist of or comprise those arising from a trade as it applies where a person is required to make, or makes, a return for the purposes of income tax of the profits or gains arising to him from any trade.
- 3 (1) If any company has been required by a notice served under paragraph 2 of this Schedule to deliver a return and the company fails to comply with the notice the company shall be liable, subject to sub-paragraph (3) of this paragraph—
- (a) to a penalty not exceeding, except in the case mentioned under sub-paragraph (2) of this paragraph, fifty pounds, and
 - (b) if the failure continues after it has been declared by the court or Commissioners before whom proceedings for the penalty have been commenced, to a further penalty not exceeding ten pounds for each day on which the failure so continues.
- (2) If the failure continues after the end of the period of two years beginning with the date on which the notice was served, the penalty under sub-paragraph (1)(a) above shall be an amount not exceeding the aggregate of fifty pounds and the total amount of the tax with which the said company is charged (whether for one or more accounting periods) in assessments to corporation tax—
- (a) based wholly or partly on any profits that ought to have been included in the return required by the notice, and
 - (b) made after the end of the said period of two years,
- and in arriving at the amount of corporation tax with which the company is so charged no account shall be taken of any income tax which under section 48(6) or section 50(3) of the Finance Act 1965 (income tax borne by deduction from receipts) may be set off against corporation tax.
- (3) Except in the case mentioned in sub-paragraph (2) above, the company shall not be liable to any penalty incurred under this paragraph for failure to comply with a notice, if the failure is remedied before proceedings for the recovery of the penalty are commenced.
- (4) If in proceedings under this paragraph it is proved that there were no profits to be included in the return, the penalty under this paragraph shall not exceed five pounds.
- (5) The Finance Act 1960 shall have effect as if this and the next following paragraph were contained in Part III of that Act (provisions relating to penalties).
- 4 (1) Where a company fraudulently or negligently—

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- (a) delivers an incorrect return under paragraph 2 of this Schedule, or
- (b) makes any incorrect return, statement or declaration in connection with any claim for any allowance, deduction or relief in respect of corporation tax, or
- (c) submits to an inspector or any Commissioners any incorrect accounts in connection with the ascertainment of the company's liability to corporation tax,

the company shall be liable to a penalty not exceeding the aggregate of—

- (i) fifty pounds, and
- (ii) the amount or, in the case of fraud, twice the amount of the difference specified in sub-paragraph (2) below.

(2) The difference is that between—

- (a) the amount of corporation tax payable by the said company for the accounting period or accounting periods comprising the period to which the return, statement, declaration or accounts relate, and
- (b) the amount which would have been the amount so payable if the return, statement, declaration or accounts had been correct.

(3) Section 47(3) and section 48(3) of the Finance Act 1960 (failure to correct an error not made fraudulently or negligently and presumption as to accounts submitted by one person on behalf of another) shall apply for the purposes of this paragraph as they apply for the purposes of the said section 47.

5 (1) Section 66 of the Income Tax Act 1952 (relief in respect of error or mistake in returns) shall apply in relation to corporation tax as it applies in relation to income tax under Schedule D.

(2) Any return under the Corporation Tax Acts shall be in such form as the Board prescribe.

(3) In this paragraph " return " includes any statement, declaration or list.

Assessments to corporation tax.

6 (1) Section 5 of the Income Tax Management Act 1964 (assessments to income tax) shall apply in relation to corporation tax as it applies in relation to income tax chargeable under Schedule D at the standard rate and assessable by the inspector, taking " return of income " in the said section 5(1)(b) as a return under paragraph 2 of this Schedule.

(2) An appeal may be brought against an assessment to corporation tax by a notice in writing given to the inspector within thirty days after the date of the notice of assessment.

(3) An appeal against an assessment to corporation tax relating exclusively to the relief to be given under section 57(1) of the Finance Act 1965 (management expenses) shall lie to the Special Commissioners, and, if and so far as the question in dispute on any appeal against an assessment to corporation tax which does not lie to the Special Commissioners relates to that relief, that question shall, instead of being determined on the appeal, be referred to and determined by the Special Commissioners, and the provisions of the Income Tax Acts as applied to appeals under the Corporation Tax Acts shall apply as if that reference were an appeal.

(4) Subject to sub-paragraph (3) above, to section 44 of the Finance Act 1965 (which makes special provision for appeals relating to certain chargeable gains) and to any

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other express provision, an appeal against an assessment to corporation tax shall lie to the General Commissioners, except that the appellant may elect (in accordance with section 12(2) of the Income Tax Management Act 1964) to bring the appeal before the Special Commissioners instead of the General Commissioners.

- (5) Section 63 of the Income Tax Act 1952 (grounds of appeal to be stated and recovery of tax not in dispute) shall apply to any assessment to corporation tax as it applies to an assessment to income tax under Schedule D, and section 13 of the Income Tax Management Act 1964 shall have effect accordingly.
- 7
- (1) Subject to the two next following paragraphs, and to any other provisions of the Corporation Tax Acts allowing a longer period in any particular class of case, an assessment to corporation tax may be made at any time not later than six years after the end of the accounting period to which the assessment relates.
 - (2) An objection to the making of any assessment to corporation tax on the grounds that the time limit for making it has expired shall only be made on an appeal against the assessment.
- 8
- (1) The proviso to section 47(1) of the Income Tax Act 1952 (which allows assessments to be made at any time in cases of fraud or wilful default) shall, as an exception to the last foregoing paragraph as well as to that subsection, apply to corporation tax, and section 6 of the Income Tax Management Act 1964 (leave of General or Special Commissioners) shall apply accordingly.
 - (2) Section 58 of the Finance Act 1960 (assessment in cases of fraud, wilful default or neglect: payment of interest) shall apply in relation to corporation tax as it applies in relation to income tax, but for the purposes of that section as so applied the date when tax charged for any accounting period ought to have been paid shall be nine months from the end of the accounting period or, where section 80(3) of the Finance Act 1965 applies, at the end of the interval mentioned in that subsection (without the alternative of one month from the making of the assessment); and subsection (2) of the said section 58 shall not apply.
- 9
- (1) Where, for the purpose of making good to the Crown a loss of tax wholly or partly attributable to the fraud, wilful default or neglect of any person, an assessment to corporation tax for any accounting period (in this paragraph referred to as "the normal accounting period") beginning before or after the passing of this Act has been made on him not later than six years after the end of that accounting period, assessments to corporation tax, income tax and the profits tax for earlier accounting periods, years of assessment and chargeable accounting periods may, to the extent provided by the following provisions of this paragraph, be made on him notwithstanding that, but for this paragraph, they would be out of time.
 - (2) No assessment under this paragraph shall be made on any person except for the purpose of making good to the Crown a loss of tax attributable to his neglect.
 - (3) An assessment under this paragraph for any accounting period, year of assessment or chargeable accounting period ending not earlier than six years before the end of the normal accounting period may be made at any time not later than one year after the time when the tax covered by the assessment mentioned in sub-paragraph (1) above is finally determined.

Section 6 of the Income Tax Management Act 1964 (leave of General or Special Commissioners) shall apply to an assessment under this sub-paragraph.

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- (4) An assessment under this paragraph for any accounting period, year of assessment or chargeable accounting period ending earlier than six years before the end of the normal accounting period may only be made with the leave of the General or Special Commissioners, given under the following provisions of this paragraph.
- (5) Where an assessment for any accounting period, year of assessment or chargeable accounting period (in this paragraph referred to as "the earlier period") has been made on any person more than six years after the end of that period—
 - (a) under this paragraph, or
 - (b) in the circumstances mentioned in sub-paragraph (6) below, under section 47(1) proviso of the Income Tax Act 1952,and it appears to the General or Special Commissioners, on an application made to them not later than one year after the tax covered by the assessment for the earlier period is finally determined, that there are reasonable grounds for believing that tax for an accounting period, year of assessment or chargeable accounting period ending not earlier than six years before the end of the earlier period was or may have been lost to the Crown owing to the neglect of that person, they may give leave for the making on him of an assessment under this paragraph for that accounting period, year of assessment or chargeable accounting period.
- (6) The circumstances referred to in sub-paragraph (5)(b) above are that the assessment for the earlier period was one of a number of assessments made on that person for the purpose mentioned in sub-paragraph (1) above and that of the accounting periods, years of assessment and chargeable accounting periods for which those assessments were made—
 - (a) the latest, apart from the normal accounting period, ended not more than six years before the end of the normal accounting period,
 - (b) the next, if any, ended not more than six years before the end of the said latest accounting period, year of assessment or chargeable accounting period,and so on for any earlier accounting periods, years of assessment or chargeable accounting periods.
- (7) An application for leave under sub-paragraph (5) above may be made by the inspector or any person nominated for that purpose by the Board, and on any such application the person to be assessed shall be entitled to appear and be heard.
- (8) In determining the amount of the tax to be charged for any accounting period, year of assessment or chargeable accounting period in any assessment made under this paragraph effect shall be given, if the person to be assessed so requires, to any relief or allowance to which he would have been entitled for that accounting period, year of assessment or chargeable accounting period on a claim or application made within the time allowed by the Corporation Tax Acts, the Income Tax Acts or the enactments relating to the profits tax, as the case may be.
- (9) For the purposes of this paragraph the year 1965-66 and any earlier year of assessment, and any chargeable accounting period, is to be regarded as earlier than any corporation tax accounting period.
- (10) The Finance Act 1960 shall have effect as if this paragraph were contained in Part III of that Act (provisions relating to penalties).

10 For the purpose of making assessments to income tax for the year 1965-66 and earlier years of assessment section 52 of the Finance Act 1960 (time limit for

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recovery from taxpayer of tax lost through his fault: partnerships) shall apply in relation to the last foregoing paragraph as it applies in relation to section 51 of the Finance Act 1960, but as if references in the said section 52 to the normal year were references to the normal accounting period, and with any other necessary modifications.

Claims relating to corporation tax.

- 11 (1) Section 9 of the Income Tax Management Act 1964 shall apply to any claim for relief from corporation tax (that is where the enactment affording relief directs that it is to be given on the making of a claim).
- (2) Except as otherwise expressly provided, no relief from corporation tax shall be allowed unless it is claimed within six years from the end of the accounting period to which it relates.
- (3) Claims under section 56(6) and section 58(2) of the Finance Act 1965 (set-off of capital allowances and trading losses falling to be made for, or incurred in, an accounting period against profits of that accounting period or earlier profits) must be made within two years from the end of that accounting period.
- (4) A claim under section 58(1) or section 60 of the Finance Act 1965 (carry forward of trading losses and of losses against income chargeable under Schedule D Case VI), shall be made within six years after the end of the accounting period in which the loss is incurred, and shall be so made notwithstanding that relief cannot be given in respect of the loss until after the end of that period of six years.
- (5) A claim under section 59 of the Finance Act 1965 (terminal loss) shall be made within six years from the time when the company ceases to carry on the trade.
- (6) A claim to which section 9 of the Income Tax Management Act 1964 shall apply shall be required to obtain the relief by way of discharge or repayment of tax which may be given—
- (a) under section 61 of the Finance Act 1965 (company reconstructions without change of ownership), or
 - (b) section 87(8) of that Act (transitional relief for existing companies on cessation of trade),
- and after the making of a claim for relief under the said section 87(8) in respect of a trade no notice as regards the trade shall be given or revoked under section 129 of the Income Tax Act 1952 or section 80(6) of the Finance Act 1965 (period of computation of profits for second and third years of trade).
- (7) An appeal under section 9 of the Income Tax Management Act 1964 as applied by this Schedule or by any other provision of the Corporation Tax Acts shall lie to the General Commissioners except that the appellant may elect (in accordance with section 12(2) of the Income Tax Management Act 1964) to bring the appeal before the Special Commissioners instead of the General Commissioners.
- (8) Nothing in this paragraph shall affect the provisions of any other enactment which determines whether a claim is to be made to an inspector or the Board or whether an appeal on a claim lies to the General Commissioners or the Special Commissioners.

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Proceedings before Commissioners, etc.

- 12 (1) Sections 11, 12, 14 and 15 of the Income Tax Management Act 1964 (proceedings before General and Special Commissioners) shall apply for the purposes of corporation tax as for the purposes of income tax.
- (2) The said sections shall apply in relation to proceedings before the General Commissioners which relate to corporation tax, or where a company resident in the United Kingdom and within the charge to corporation tax is a party to proceedings which relate to income tax, as if sub-paragraph (3) below were substituted for Schedule 3 to the said Act of 1964.
- (3) Such proceedings shall be brought before the General Commissioners for the division in which the company or other body concerned carries on its trade or business, or in which its head office or principal place of business is situated, or where it resides, but subject to sections 143 and 329 of the Income Tax Act 1952 (which relate to proceedings to which more than one taxpayer may be a party) and to any other express provisions of the Corporation Tax Acts.
- (4) Section 510 of the Income Tax Act 1952 (settlement of appeals) shall apply for the purposes of corporation tax as for the purposes of income tax.
- (5) General or Special Commissioners or other persons who made declarations in the form in Part I of Schedule 1 to the Income Tax Management Act 1964, or in the form in Schedule 2 to the Income Tax Act 1952, before the coming into force of paragraph 16 of Schedule 10 to the Finance Act 1965 (which included in the form of declaration a reference to the new taxes imposed by that Act) shall be subject to the same obligations as to secrecy with respect to those taxes as they are subject to with respect to income tax.

Application of income tax administrative provisions to corporation tax.

- 13 The provisions of the Income Tax Acts specified in this paragraph shall apply in relation to corporation tax as they apply in relation to income tax.
- Chapter IV of Part II of the Income Tax Act 1952, except section 72, and section 8 of the Income Tax Management Act 1964 (collection).
- Sections 500 to 505 of the Income Tax Act 1952 (penalties), together with section 55 of the Finance Act 1960 so far as it relates to the said section 505.
- Sections 513 and 514 of the Income Tax Act 1952 (loss of documents and provisions as to forms).
- Section 515(1), (3), (4) and (5) of the Income Tax Act 1952 (service of notices).
- Section 520 of the Income Tax Act 1952 (exemption from stamp duty).
- Section 29 of the Finance Act 1953 (assessments in Scilly Isles).
- Section 50 of the Finance Act 1960 (penalty for assisting in making incorrect return etc.).
- Section 54 of the Finance Act 1960 (time limit for certain penalty proceedings), with a reference in subsection (3) of that section to paragraph 9 of this Schedule as well as to section 51 of that
- Section 56 of the Finance Act 1960 (recovery of fines and penalties).
- Section 3 of the Income Tax Management Act 1964 (inspectors and collectors).
- Paragraph 7 of Schedule 7 to the Finance Act 1964 (extended time limit for making assessments consequent on provisions about leases to traders and others).

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Priority of corporation tax and other tax in liquidation.

- 14 In section 319(1)(a)(ii) of the Companies Act 1948 and in section 287(1)(a)(ii) of the Companies Act (Northern Ireland) 1960 (priority of debts) the reference to assessed taxes shall include a reference to corporation tax and a reference to capital gains tax chargeable under the Corporation Tax Acts or otherwise recoverable from a company, but nothing in this paragraph shall affect the powers conferred on the Parliament of Northern Ireland by section 16 of the Northern Ireland Act 1962.

Procedure for determining certain apportionments.

- 15 Section 329(1) of the Income Tax Act 1952 (which relates to procedure on apportionments under Part X of that Act) shall apply to any apportionment under section 61(8) of the Finance Act 1965 (company reconstructions) or under section 45(3) of this Act as it applies to an apportionment under the said Part X.

Claims for repayment of income tax deducted from receipts.

- 16 Effect shall be given to section 46(2) of the Finance Act 1965, and to that section as modified by sections 48(6) and 50(3) of that Act (set-off of income tax deducted from company receipts against corporation tax assessable on the company) and, so far as the exemptions from income tax conferred by the Corporation Tax Acts call for repayment of tax, effect shall be given to those exemptions, by means of a claim to which section 9 of the Income Tax Management Act 1964 shall apply.

Income tax on company distributions, etc.

- 17 (1) In section 5 of the Income Tax Management Act 1964 (assessments to income tax) references to assessments to tax at the standard rate shall include references to assessments under paragraph 1(3), and sub-paragraphs (4) and (5) of paragraph 2, of Schedule 12 to the Finance Act 1965 (tax on company distributions, etc.).
- (2) An appeal against an assessment under the said Schedule 12 shall be to the General Commissioners except that the appellant may elect (in accordance with section 12(2) of the Income Tax Management Act 1964) to bring the appeal before the Special Commissioners instead of the General Commissioners.
- (3) Part III of the Finance Act 1960 (penalties) shall have effect as if paragraph 2(1) of the said Schedule 12 (returns) were included in column 3 of Schedule 6 to that Act.
- (4) It is hereby declared that section 506 of the Income Tax Act 1952 (refusal to allow deduction of tax) applies in relation to any deduction of income tax authorised by Part IV of the Finance Act 1965 to be made out of any payment.

Franked investment income.

- 18 (1) Section 9 of the Income Tax Management Act 1964 shall apply to any claim for relief under section 62 of the Finance Act 1965 (set-off of losses, etc. against franked investment income).
- (2) The time limits for claims under the said section 62 shall be as follows—
- (a) if and so far as the purpose for which the claim is made is the deduction of charges on income under section 52 of the Finance Act 1965 or of expenses of management under section 57 of that Act, six years from the end of

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- the accounting period in which the charges were paid or the expenses of management were incurred,
- (b) if and so far as the purpose for which the claim is made is the setting of capital allowances against total profits under section 56(6) of the said Act, or the setting of trading losses against total profits under section 58(2) of that Act, two years from the end of the year of assessment in which falls the end of the accounting period for which the capital allowances fall to be made or, as the case may be, in which falls the end of the accounting period in which the trading loss is incurred,
 - (c) if and so far as the purpose for which the claim is made is the allowance of relief under section 58(1) of the said Act against a trading loss (that is one carried forward from an earlier accounting period), six years from the end of the year of assessment for which the claim under subsection (7) of the said section 62 is made,
 - (d) if and so far as the purposes for which the claim is made is the allowance of relief under section 59 of the said Act (terminal losses), six years from the time when the company ceases to carry on the trade.
- 19 (1) A claim for relief under section 85 of the Finance Act 1965 (transitional relief for companies paying dividends out of pre-1966-67 profits), and the election provided by this Act for a notional surplus by reference to a three year surplus instead of a one year surplus, must be made not later than the end of the year 1970-71.
- (2) Any adjustment, whether by way of repayment of tax, assessment or otherwise, required to be made under Schedule 12 to the Finance Act 1965 or otherwise in consequence of allowing a claim under the said section 85 may be made at any time.

Tax on close companies at standard rate of income tax.

- 20 (1) Tax assessable under section 75, 76 or 77 of the Finance Act 1965 (in this paragraph referred to as " the tax ") shall, subject to any appeal against the assessment, be due within fourteen days after the issue of the notice of assessment.
- (2) The provisions of the said sections 75, 76 and 77 directing that the tax be assessed and recoverable as if it were an amount of income tax shall be taken as applying, subject to this and the next following paragraph, and subject to any necessary modifications, all enactments applying generally to income tax, including those relating to the assessing, collecting and receiving of income tax, those conferring or regulating a right of appeal and those concerning administration, penalties, interest on unpaid tax and priority of tax in cases of insolvency under the law of any part of the United Kingdom.
- (3) Proceedings before the General Commissioners which relate to the tax shall be brought before the General Commissioners for the division in which the company concerned carries on its trade or business, or in which its head office or principal place of business is situated, or where it resides, and the Income Tax Management Act 1964 as applied by sub-paragraph (2) above shall have effect as if the foregoing provisions of this paragraph were substituted for Schedule 3 to that Act.
- (4) Sections 62, 63 and 66 of the Income Tax Act 1952 (which make special provision for Schedule D in relation to appeals and to relief in respect of error or mistake) shall apply to any assessment of the tax as if it were an assessment under Schedule D and section 13 of the Income Tax Management Act 1964 shall have effect accordingly.

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- (5) Section 495 of the Income Tax Act 1952 (interest on overdue income tax) shall apply in relation to the tax as it applies to income tax charged by an assessment under Schedule D, except that subsection (2) and paragraph (a) of subsection (3) (remission of interest on tax less than three months overdue and on assessments for less than one thousand pounds) shall not apply.
- (6) For the purposes of section 58 of the Finance Act 1960 (interest on tax due from taxpayer in default) as applied by sub-paragraph (2) above, the date when the tax charged ought to have been paid shall be taken to be—
 - (a) for tax under sections 75 and 76, the first day of the year of assessment following that in which the loan or advance (for tax under section 75) or the payment or consideration (for tax under section 76) was made or given, and
 - (b) for tax under section 77, the first day after the period of twelve months from the end of the accounting period for which there is a shortfall.
- (7) The powers of obtaining information under section 250(4) and (5) and section 264 of the Income Tax Act 1952 conferred on the Board in relation to section 78 of the Finance Act 1965 by paragraph 10 of Schedule 18 to that Act shall be exercisable by the inspector in relation to sections 74, 75, 76 and 77 of that Act.
- 21 (1) Relief under section 75(2) of the Finance Act 1965 shall be given on a claim, and section 9 of the Income Tax Management Act 1964 shall apply to any claim under section 75(2), 77(5) or 77(6) of the Finance Act 1965.
- (2) The time limit for making any such claim shall be—
 - (a) for a claim under section 75(2) six years from the end of the year of assessment to which the claim relates,
 - (b) for a claim under section 77(5) two years from the end of the year of assessment to which the claim relates,
 - (c) for a claim under section 77(6) six years from the end of the later accounting period mentioned in that subsection,
 and, notwithstanding paragraph 20(2) of this Schedule, section 507 of the Income Tax Act 1952 shall not apply to any such claim.

Apportionment for surtax of close company's income.

- 22 (1) An assessment under section 77 of the Finance Act 1965 (shortfall in distributions of close company: income tax at standard rate) when it becomes final and conclusive shall also be final and conclusive for the purposes of section 78(4) of that Act (which, subject to certain exceptions, directs that the amount apportioned for surtax under that section shall be the amount of the shortfall taken into account under the said section 77).
- (2) Subject to the right of appeal conferred by section 248(3) of the Income Tax Act 1952 as applied by paragraph 10 of Schedule 18 to the Finance Act 1965, an apportionment under section 78 of the Finance Act 1965 shall be final and conclusive.
- (3) For surtax assessed under section 249 of the Income Tax Act 1952 as applied by the said section 78 "seven years" shall be substituted for "six years" in sections 47(1) (as applied by section 229(3)) and 66(1) of the Income Tax Act 1952 and in section 51(1) of the Finance Act 1960.
- (4) In subsections (3) and (4) of section 249 of the Income Tax Act 1952 for the words "participator of the company" there shall be substituted the word "participator", and

where those subsections apply, in consequence of a sub-apportionment under the said section 78, in relation to a participator of a company other than the company whose income is apportioned, references in those subsections (with the amendments made by the foregoing provisions of this sub-paragraph) to the company shall be taken as references to the company whose income is apportioned.

Transitional relief for existing companies with overseas trading income.

- 23 (1) If a company fraudulently or negligently—
- (a) makes any incorrect return, statement or declaration in connection with any claim for relief under section 84 of the Finance Act 1965 (companies with overseas trading income), or
 - (b) submits to an inspector or any Commissioners any incorrect accounts in connection with such a claim,
- the company shall be liable to a penalty not exceeding the aggregate of fifty pounds and the amount or, in the case of fraud, twice the amount of the difference specified in sub-paragraph (2) below.
- (2) The difference is that between—
- (a) the amount of the relief obtained on the claim, or which would have been obtainable if the return, statement, declaration or accounts had been correct, and
 - (b) the amount, if any, of relief which is properly due to the company.
- (3) Section 50 of the Finance Act 1960 (penalty for assisting in making incorrect returns etc.) shall apply in relation to any return, account, statement or declaration made for the purposes of obtaining relief under the said section 84 as it applies to any return, account, statement or declaration made for the purposes of income tax.
- (4) Sections 47(3) and 48(3) of the Finance Act 1960 shall apply for the purposes of this paragraph as they apply for the purposes of the said section 47.
- (5) Section 58 of the Finance Act 1960 (interest on tax recovered to make good loss due to taxpayer's fault) shall apply in relation to proceedings brought for the recovery of relief under the said section 84 which is or has become excessive, where the bringing of the proceedings is wholly or partly attributable to the fraud, wilful default or neglect of the defendant as it applies in relation to an assessment made for the purpose of making good a loss of tax wholly or partly attributable to the fraud, wilful default or neglect of any person, and subject to any necessary modifications.
- (6) The exception in section 30(1) proviso of the Limitation Act 1939 for proceedings for the recovery of any tax or duty or interest thereon, and any corresponding exceptions in any other enactment forming part of the law of any part of the United Kingdom and relating to the limitation of actions, shall apply in relation to proceedings for the recovery of relief under the said section 84 which is or has become excessive, or of interest thereon.
- (7) Regulations under subsection (7) of the said section 84—
- (a) may provide that where any relief given under that section is or becomes excessive, the excess may be recovered by being set off against any income tax, profits tax or corpora-tax due to be repaid to the company, or against any relief from any such tax, to which the company is entitled, and
 - (b) may apply sections 500 to 505 of the Income Tax Act 1952 and any provisions of Part III of the Finance Act 1960 in relation to penalties under

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this paragraph and the recovery of relief under the said section 84 subject to such modifications and exceptions as may be prescribed by the regulations.

- (8) This paragraph applies in relation to claims made before or after the passing of this Act.

Responsibility of company officers.

- 24 (1) Everything to be done by a company under the Corporation Tax Acts (including the provisions of the Income Tax Acts so far as they apply by virtue of this Schedule or otherwise for the purposes of the provisions of Part IV of the Finance Act 1965 relating to income tax, including surtax) shall be done by the company acting through the proper officer of the company, and service on a company of any document under or in pursuance of those Acts may be effected by serving it on the proper

The provisions of this sub-paragraph are without prejudice to section 50(4) of the Finance Act 1965 (methods of recovering tax due from companies not resident in the United Kingdom).

- (2) Corporation tax or other tax chargeable under the Corporation Tax Acts on a company which is not a body corporate, or which is a body corporate not incorporated under the Companies Act 1948 or any other enactment (including an enactment of the Parliament of Northern Ireland) forming part of the law of the United Kingdom, or by Charter, may, at any time after the tax becomes due, and without prejudice to any other method of recovery, be recovered from the proper officer of the company, and that officer may retain out of any money coming into his hands on behalf of the company sufficient sums to pay that tax, and, so far as he is not so reimbursed, shall be entitled to be indemnified by the company in respect of the liability so imposed on him.
- (3) For the purposes of this paragraph—
- (a) the proper officer of a company which is a body corporate shall be the secretary or person acting as secretary of the company, except that if a liquidator has been appointed for the company the liquidator shall be the proper officer,
 - (b) the proper officer of a company which is not a body corporate or for which there is no proper officer within paragraph (a) above, shall be the treasurer or the person acting as treasurer, of the company.

Alteration of accounting periods.

- 25 So much of section 51(7) of the Finance Act 1965 (which relates to the adjustments required where the true accounting period of a company is established on appeal) as extends the time within which assessments may be made shall apply to assessments to income tax under section 77 of the Finance Act 1965 as well as to assessments to corporation tax.

Service of documents by post.

- 26 Any notice or other document required or authorised to be served on or given to any person by an inspector or other officer of the Board under any provision of the Corporation Tax Acts (including the provisions of the Income Tax Acts so far as they apply by virtue of this Schedule or otherwise for the purposes of the provisions of Part IV of the Finance Act 1965 relating to income tax) may be served by post.

Interpretation.

- 27 (1) In the provisions of the Income Tax Acts as applied by this Schedule in relation to corporation tax—
- (a) for references to years of assessment there shall be substituted references to accounting periods,
 - (b) for references to income (or profits or gains chargeable to income tax) there shall be substituted references to profits,
 - (c) for references to the Income Tax Acts there shall be substituted references to the Corporation Tax Acts.
- (2) It is hereby declared that any reference in this Schedule to a provision of the Income Tax Acts for which a penalty is imposed by some other provision, in Part III of the Finance Act 1960 or elsewhere, includes a reference to that other provision.
- (3) In this Schedule " the Board " means the Commissioners of Inland Revenue.
- (4) Any reference in this Schedule to the General Commissioners shall, in Northern Ireland, be taken as a reference to the Special Commissioners.

SCHEDULE 7

Section 28.

AMENDMENTS OF S. 85 OF FINANCE ACT 1965.

PART I

THREE YEAR SURPLUS OF MEMBERS OF GROUPS OF COMPANIES

Reduction of three year surplus of company paying dividends to fellow member of a group.

- 1 The three year surplus of a company which is a member of a group of companies as calculated in accordance with section 85 of the Finance Act 1965 without this paragraph shall be reduced in the proportion which reduces the amount of the company's dividends taken into account under subsection (2)(b) of the said section to the amount of those dividends paid to persons other than members of the group of companies (and so that if all those dividends are paid to members of the group of companies the three year surplus shall be reduced to nothing).

Increase in certain circumstances of three year surplus of company receiving dividends from fellow member of a group.

- 2 (1) Where—
- (a) the distributable profits of a company which is a member of a group include dividends paid by one or more other members of the group, and
 - (b) one or more of those other members of the group has a notional surplus which is a three year surplus which is reduced under paragraph 1 of this Schedule, and part of the reduction is attributable to the company,
- the company's three year surplus shall be increased by (or, if otherwise of a nil amount, shall consist of) the amount, if any, produced by sub-paragraphs (2) and (3) of this paragraph.

Status: This is the original version (as it was originally enacted).

- (2) The said amount shall not exceed the aggregate of the parts of the reductions within sub-paragraph (1)(b) above which are attributable to the company.
- (3) Subject to sub-paragraph (2) above, the said amount shall be the excess of—
 - (a) what the company's excess of dividends over distributable profits would be if the dividends paid to the company by each member of the group within sub-paragraph (1)(b) above were reduced by an amount equal to the company's part of that member's excess of dividends over distributable profits, over
 - (b) what the company's excess of dividends over distributable profits actually is, (and so that if there is no actual excess at (b) the said amount is, subject to sub-paragraph (2) above, the amount at (a)).
- (4) In this paragraph—
 - (a) "excess of dividends over distributable profits" in relation to any company, means the excess of the company's dividends at paragraph (a) of the said section 85(6) over its distributable profits at paragraph (b) of that subsection without any adjustment under paragraph (c) of that subsection (relief in respect of overseas trading income),
 - (b) "the company's part", in relation to another member, means the proportion of that other member's dividends at paragraph (a) of the said section 85(6) which the part paid to the company bears to the whole,
 - (c) references to the part of a reduction in another member's three year surplus which is attributable to the company are references to a part of the reduction which bears to the whole the same proportion as the amount of that other member's dividends at paragraph (a) of the said section 85(6) paid to the company bears to all those dividends except for any paid to persons who are not members of the group of companies.
- (5) An addition to a three year surplus under this paragraph shall be made before any reduction to be made in it under paragraph 1 of this Schedule.

Election for three year surplus instead of one year surplus.

- 3 A company having a three year surplus which is reduced under paragraph 1 of this Schedule may elect that its notional surplus under the said section 85 shall be its three year surplus notwithstanding that its one year surplus is greater.

Three year surplus: subsidiary retaining part of distributable profits.

- 4 (1) Where throughout a period consisting of the whole or a part of the three financial years 1966, 1967 and 1968 a company is a member of a group of companies and is the beneficial owner of part of the ordinary share capital of another member of the group (in this paragraph called "the appropriate part"), and—
 - (a) the amount of the dividends on ordinary share capital paid by that member to the company in the period is less than
 - (b) the appropriate part of that member's distributable profits arising in the period, after deducting the amount required to meet dividends which are not on ordinary share capital and which are paid by that member in the period,
 the distributable profits of the company to be taken into account as franked investment income or group income under paragraph (b)(i) of the said section 85(6)

shall not include the dividends at (a) above but shall include a sum equal to that at (b) above.

- (2) For the purpose of arriving under this paragraph at a member's distributable profits arising in any period—
 - (a) the distributable profits of any financial year which falls wholly or partly within the period shall be ascertained on the principles set out in subsection (6)(b) of the said section 85 for ascertaining the distributable profits for the three financial years, and shall be so ascertained whether or not the member is entitled to relief by reference to a three year surplus,
 - (b) if part only of the financial year falls within the period, the distributable profits of that financial year shall be apportioned on a time basis according to the respective lengths of its parts which do and do not fall within the period, and
 - (c) where the member itself is the beneficial owner of part of the ordinary share capital of a company which is another member of the group, or which is the member's subsidiary company, account shall be taken under paragraphs (a) and (b) above of the amendment of the said subsection (6)(b) made by sub-paragraph (1) of this paragraph, attributing under paragraph (a) above to the whole of any financial year any amount included by virtue of that amendment in that member's franked investment income or group income as the appropriate part of that other company's distributable profits of that financial year, or of any part of that financial year.
- (3) Sub-paragraph (1) above shall not apply if the other member has a notional surplus which is a three year surplus which is reduced under paragraph 1 of this Schedule.
- (4) In this paragraph "ordinary share capital" has the same meaning as in section 42(3) of the Finance Act 1938 and if the appropriate part of the other member's ordinary share capital is different in different periods in the three financial years this paragraph shall apply to those periods separately.
- (5) For the purposes of this paragraph—
 - (a) any dividend paid (in the sense of section 89(4) of the Finance Act 1965) in the first five days of April 1969 shall be regarded as paid on 31st March 1969,
 - (b) any dividend paid (in that sense) in the first five days of April 1966 shall be left out of account.
- (6) Where a three year surplus falls to be ascertained under subsection (7) of section 85 of the Finance Act 1965 (winding up of company) for references in this paragraph to the three financial years there shall be substituted references to the period mentioned in that subsection.

Three year surplus: subsidiary paying dividends in 1965-66 in excess of standard amount.

- 5 (1) Where dividends received by a company which is a member of a group in the year 1965-66 include dividends from a member of the same group of companies, and that member pays in the year a gross amount of dividends which exceeds its standard amount, then there shall be excluded from the dividends taken into account under subsection (6)(d) of the said section 85 (which fixes the amount of the tax ultimately borne by the company) a part of the dividends received from that member which bears to the whole the same proportion as the excess bears to all the dividends paid by that member in the year 1965-66.

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- (2) Any amount of a dividend paid by a member of a group of companies excluded under sub-paragraph (1) above shall, for the purposes of the said subsection (6)(d) as it applies to that member, be treated as if it had not been paid.
- (3) Sub-paragraph (1) above shall not apply unless the gross amount of dividends received by the company in the year 1965-66 from members of the same group of companies exceeds one-third of the gross amount of the dividends received by the company in its standard period from companies then being members of the same group of companies (or, if the standard period is less than three years, an amount bearing to the dividends last-mentioned the same proportion as one year bears to the standard period), and where any dividends would fall to be excluded under sub-paragraph (1) above the company may elect that the exclusion shall be of such part of the dividends received from members of the same group as is equal to the excess referred to in this sub-paragraph:

Provided that this sub-paragraph shall not apply where, because the company commenced to carry on business at a time later than the beginning of December 1964, or for any other reason, the company has no standard period.
- (4) Where the company exercises the right of election under sub-paragraph (3) above, sub-paragraph (2) above shall have effect as if the amount out of the dividends paid by any other member of the group of companies excluded under sub-paragraph (1) above were the proportion of the excess referred to in sub-paragraph (3) above which is the same as the proportion which—
 - (a) the amount of the dividends paid to the company by that member in the year 1965-66 bears
 - (b) to the aggregate of the amount of the dividends paid to the company in that year by all members of the group.
- (5) This paragraph shall be construed in accordance with section 83 of the Finance Act 1965.

PART II

THE ONE YEAR SURPLUS

Companies carrying on life assurance businesses.

- 6 The one year surplus of a company carrying on life assurance business shall be computed without regard to any such part of dividends or other income from investments held in connection with its life assurance business as belongs or is allocated to, or is reserved for, or expended on behalf of, policy holders, and without regard to the tax on such part of such income.

Elections as respects double taxation relief.

- 7 (1) If a company so elects, its one year surplus shall be computed in accordance with sub-paragraphs (2) and (3) below.
- (2) In arriving at the amount of profits tax and income tax to be taken into account under paragraphs (b) and (c) of subsection (3) of the said section 85, it shall be assumed that paragraph 2(2) of Schedule 16 to the Income Tax Act 1952 provides for credit

for foreign tax to be first applied in reducing the amount of income tax chargeable in respect of the income and, so far as it cannot be so applied, in reducing the profits tax chargeable in respect of the income (instead of applying the credit first against profits tax and then against income tax).

- (3) In arriving at the fraction defined at the end of the said subsection (3) (income tax for 1965-66 divided by that plus corporation tax for the financial year 1965), and in applying subsection (8) of the said section 85 (under which any one year surplus is to be disregarded if that income tax is not greater than that corporation tax)—

- (a) so far as any tax at subsection (3)(a) of the said section 85 consists of tax at a net United Kingdom rate (that is to say a rate less than the standard rate of 8s. 3d. for the year 1965-66) that tax shall be increased by applying the ratio

$$\frac{A}{B}$$

where " A " is the said standard rate of 8s. 3d. and " B " is the said net United Kingdom rate, and

- (b) any credit for foreign tax which is allowable against United Kingdom income tax or corporation tax shall be disregarded.

- (4) In this paragraph " credit for foreign tax " means credit allowable by virtue of arrangements made under section 347 of the Income Tax Act 1952, or by way of relief under section 348 of that Act.

SCHEDULE 8

Section 29.

FRIENDLY SOCIETIES.

PART I

CONDITIONS FOR FRIENDLY SOCIETIES' TAX EXEMPT BUSINESS

- 1 (1) The following conditions shall apply to every policy for the assurance of a gross sum, or of an annuity, which the friendly society issues, or has issued at any time since 3rd May 1966—
- (a) the period (in this Schedule called " the term " of the policy) between the payment of the first premium and the time when the gross sum assured is payable (or as the case may be when the first instalment of the annuity is payable) shall be not less than ten years, and must not, on any contingency other than the death, or retirement on grounds of ill health, of the person liable to pay the premiums or whose life is insured, become less than ten years,
- (b) the premiums payable under the policy shall be premiums of equal or rateable amounts payable at yearly or shorter intervals over the whole term of the policy of assurance, or over the whole term of the policy of assurance apart from any period after the person liable to pay the premiums or whose life is insured attains a specified age, being an age which he will attain at a time not less than ten years after the beginning of the term of the policy of assurance,

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- (c) until the expiration of three-quarters of the term of the policy of assurance, or of ten years from the beginning of the term, whichever is the shorter, the policy may not be surrendered to the friendly society for consideration exceeding the amount of the premiums paid, except that, if a surrender value is prescribed for the surrender by section 24 of the Industrial Assurance Act 1923 or section 3 of the Industrial Assurance and Friendly Societies Act 1929, the limit on the consideration shall be either that value or the amount of the premiums paid, whichever is the greater.
- (2) The friendly society shall not be a party to any variation of the terms of a policy which infringes the conditions in the foregoing provisions of this paragraph.
- 2 Notwithstanding paragraph 1(1)(a) above, the policy—
 - (a) may provide for a payment to a person of an age not exceeding 18 years at any time not less than five years from the beginning of the term of the policy if the premium or premiums payable in any period of twelve months in the term of the policy do not exceed £13,
 - (b) may provide for a payment at any time not less than five years from the beginning of the term of the policy, if it is one of a series of payments falling due at intervals of not less than five years, and the amount of any payment, other than the final payment, does not exceed four-fifths of the premiums paid in the interval before its payment.
- 3 Notwithstanding paragraph 1(1)(b) above, the policy—
 - (a) may allow a payment at any time after the expiration of one-half of the term of the policy of assurance, or of ten years from the beginning of the term, whichever is the earlier, being a payment in commutation of the liability to pay premiums falling due after that time,
 - (b) where the person liable to pay the premiums ceases to reside in the United Kingdom, or gives satisfactory proof of intention to emigrate, may allow him to commute any liability for premiums, and
 - (c) may allow any liability for premiums to be discharged in consideration of surrendering a sum which has become payable on the maturity of any other policy of assurance issued by the same friendly society to the person liable to pay the premiums, or to his parent, where that other policy of assurance is issued as part of the friendly society's tax exempt life or endowment business.
- 4 Nothing in the foregoing provisions of this Schedule applies to life or endowment business which is not tax exempt life or endowment business.

PART II

AMENDMENTS OF FRIENDLY SOCIETIES ACTS

- 5 (1) The following limits shall be substituted for the limits imposed by section 41(1) of the Friendly Societies Act 1896 on the amounts which a member, or person claiming through a member, of a registered society or branch is entitled to receive from any one or more such societies or branches (taking together all such societies or branches throughout the United Kingdom)—
 - (a) not more than £500 by way of gross sum under tax exempt life or endowment business,

- (b) not more than £104 a year by way of annuity under tax exempt life or endowment business,
- (c) not more than £2,000¹ by way of gross sum under life or endowment business which is not tax exempt, but increasing that limit from £2,000 to £3,000 if the entitlement under this head, so far as it exceeds £2,000, is under any mortgage protection policy or policies.
- (d) not more than £208 a year by way of annuity under life or endowment business which is not tax exempt,

and this sub-paragraph shall be construed as if contained in the said section 41.

- (2) A friendly society shall not be registered if it contracts with any person for the assurance of an annuity or of a gross sum in excess of the limits imposed by sub-paragraph (1) above.
 - (3) The Chief Registrar of Friendly Societies may by order made with the consent of the Treasury and contained in a statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament from time to time increase or further increase all or any of the limits in paragraphs (1)(c) and (1)(d) of this paragraph, and any such order may contain transitional and other supplemental provisions.
 - (4) In applying the limits in this paragraph—
 - (a) any bonus or addition declared upon assurance of a gross sum or annuity, and
 - (b) any such annuities as are referred to in section 26(1) of the Finance Act 1956 (retirement annuities, etc.),shall be disregarded.
 - (5) In this paragraph " mortgage protection policy " means a policy of assurance of a gross sum the whole or the major part of which is applicable solely for the purpose of meeting payments due under a mortgage or charge of land.
 - (6) The proviso to section 8(1), and section 41(1), of the Friendly Societies Act 1896, which are superseded by this paragraph, shall cease to have effect.
- 6 (1) Subject to this paragraph, the rules of any registered friendly society or branch may within six months from the time when this Part of this Schedule comes into force be amended by resolution of the committee of management so as to permit the society or branch to assure additional amounts within the limits prescribed by paragraph 5 above, or for the purpose of bringing the rules into conformity with the provisions of Part I of this Schedule.
- (2) If any amendment of the rules of a friendly society is made after the coming into force of this Part of this Schedule, otherwise than in pursuance of sub-paragraph (1) above, the power of the society's committee of management under sub-paragraph (1) above shall determine on the date on which the amendment is registered.
 - (3) This paragraph shall apply in relation to any increase of limits effected by an order under paragraph 5(3) above as it applies in relation to the increases made by that paragraph, but substituting the time when the increase so effected comes into force for the time when this Part of this Schedule comes into force.
- 7 This Part of this Schedule shall extend to Northern Ireland.

SCHEDULE 9

Section 31.

COMPANY DIVIDENDS PAID TO NON-RESIDENTS:
 RELEVANT DOUBLE TAXATION AGREEMENTS.

- 1 Subject to the following provisions of this Schedule section 31 of this Act (in this Schedule called " the principal section ") shall apply to the double taxation agreements to which effect is given by the Orders in Council set out in the following Table

The Double Taxation Relief (Taxes on Income) (Australia) Order 1947.
 The Double Taxation Relief (Taxes on Income) (Austria) Order 1957.
 The Double Taxation Relief (Taxes on Income) (Denmark) Order 1950, including that Order as extended by the Double Taxation Relief (Taxes on Income) (Faroe Islands) Order 1961.
 The Double Taxation Relief (Taxes on Income) (Federal Republic of Germany) Order 1955.
 Any Order in Council made in the form of the draft Double Taxation Relief (Taxes on Income) (Federal Republic of Germany) Order in Council laid before the Commons House of Parliament on 11th March 1965.
 The Double Taxation Relief (Taxes on Income) (Finland) Order 1953.
 The Double Taxation Relief (Taxes on Income) (France) Order 1951.
 The Double Taxation Relief (Taxes on Income) (Japan) Order 1963.
 The Double Taxation Relief (Taxes on Income) (Norway) Order 1951.
 The Double Taxation Relief (Taxes on Income) (Pakistan) Order 1961.
 The Double Taxation Relief (Taxes on Income) (South Africa) Order 1962, including that Order as extended by the Double Taxation Relief (Taxes on Income) (South West Africa) Order 1962.
 The Double Taxation Relief (Taxes on Income) (Sweden) Order 1961.

Australia.

- 2 In applying Article VI(3) in the Double Taxation Relief (Taxes on Income) (Australia) Order 1947 (under which the limiting rate of tax is a fraction of the full rate of the Australian tax) to a dividend paid (by a company resident in the United Kingdom) in any year of assessment it shall be assumed that in the converse case described in subsection (2) of the principal section the dividend (assumed paid by a company resident in Australia) is paid in the Australian year of tax beginning in the same calendar year as that in which the said income tax year of assessment begins.

Federal Republic of Germany.

- 3 In applying Article VI in any Order in Council made in the form of the draft Double Taxation Relief (Taxes on Income) (Federal Republic of Germany) Order in Council laid before the Commons House of Parliament on 11th March 1965 paragraph (2) of that Article (different rates of German tax on distributed and undistributed profits) shall be disregarded.

France.

- 4 (1) Article VII of the Double Taxation Relief (Taxes on Income) (France) Order 1951 as applied by the principal section shall be read as having the result in sub-paragraph (2) below.
- (2) The rate at which income tax under Schedule F is chargeable on a dividend paid to a company which is a resident of France, and which has owned for a year capital representing at least 50 per cent. of the capital of the company paying the dividend, shall not exceed 10 per cent

Pakistan.

- 5 (1) Article VI of the Double Taxation Relief (Taxes on Income) (Pakistan) Order 1961 as applied by the principal section shall be read as having the result in sub-paragraph (2) below.
- (2) The rate at which income tax under Schedule F is chargeable on a dividend paid to a public company which is a resident of Pakistan and which owns more than 50 per cent. of the voting shares of the company paying the dividend shall not exceed 10 per cent.

SCHEDULE 10

Section 43.

CAPITAL GAINS.

PART I

CAPITAL GAINS TAX AND CORPORATION TAX

Life interests in settled property.

- 1 (1) Section 25(4) of the Finance Act 1965 (notional disposal of settled property when a life interest in any part of the settled property terminates) shall not apply on the occasion of the termination of the trusts of the settlement as respects any part of the settled property by the exercise of a power for that purpose contained in the settlement or of a statutory power of advancement or by the surrender of a life interest in such a part for the purpose of advancement, if all the property as respects which the life interest terminates thereby ceases to be settled property under the settlement.
- (2) The said section 25(4), and section 26(9)(a) of the said Act (which defines references to capital gains tax chargeable in consequence of a death), shall apply where after 3rd May 1966 the person entitled to a life interest in possession in all or any part of settled property dies (although the life interest does not then terminate) as they apply on the termination of such a life interest.
- (3) In subsection (10)(a) of the said section 25 (which defines "life interest" as including certain limited interests) for the words from "for the life of another" to the end of the paragraph there shall be substituted the words "for the life of a person other than the person entitled to the right, or for lives", but not so as to apply the said section 25(4) on any occasion on or before 4th May 1966.

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- (4) In the said section 25 the expression " life interest" shall, notwithstanding subsection (10)(c) of that section (which excludes annuities) include entitlement to an annuity created by the settlement if—
- (a) some or all of the settled property is appropriated by the trustees as a fund out of which the annuity is payable, and
 - (b) there is no right of recourse to settled property not so appropriated, or to the income of settled property not so appropriated,
- and, without prejudice to subsection (12) of the said section 25, the settled property so appropriated shall, while the annuity is payable, and on the occasion of the death of the annuitant, be treated for the purposes of subsections (4), (5), (6) and (7) of the said section 25 as being settled property under a separate settlement.

Transfer of business on retirement.

- 2 (1) Subject to sub-paragraph (2) below, section 34(1)(b) of the Finance Act 1965 (relief from capital gains tax for an individual disposing of shares or securities of his family company on his retirement) shall apply where under paragraph 3 of Schedule 7 to the Finance Act 1965 he is treated as disposing of interests in shares or securities of a company in consideration of a capital distribution from the company in the course of dissolving or winding up the company as it applies where he disposes of shares or securities of a company by way of sale or gift.
- (2) Sub-paragraph (1) above shall not apply if the capital distribution consists wholly of chargeable business assets of the company, and if it consists partly of chargeable business assets (and partly of money or money's worth), relief shall only be given under the said section 34 in respect of that proportion of the gains accruing on the disposal which the part of the capital distribution not consisting of chargeable business assets bears to the entire capital distribution.
- (3) Paragraphs (a) and (b) of the said section 34(1) (which each impose conditions to be satisfied throughout the period of ten years ending with the disposal) shall apply where throughout part of the said period of ten years the conditions in either of those paragraphs were fulfilled and throughout the remainder of that period the conditions in the other paragraph were fulfilled.

Definition of investment trust.

- 3 (1) Section 37(3)(b) of the Finance Act 1965 (which allows an investment trust as defined in that section to have a holding representing more than the limit of fifteen per cent. of its investments imposed by subsection (2)(b) of that section if the holding was acquired on or after 6th April 1965 and did not exceed that limit when it was acquired) shall also apply to a holding acquired before the said date and accordingly the words " acquired on or after that date " in the said subsection (3)(b) shall cease to have effect.
- (2) All such adjustments shall be made, whether by the discharge or repayment of tax or otherwise, as are required to give effect to the provisions of this paragraph.

Part disposal of land to authority with compulsory powers.

- 4 (1) This paragraph applies to a transfer after 6th April 1965 of land forming part only of a holding of land to an authority exercising or having compulsory powers where—

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- (a) the amount or value of the consideration for the transfer, or if the transfer is not for full consideration in money or money's worth, the market value of the land transferred, is small, as compared with the market value of the holding as it subsisted immediately before the transfer, and
 - (b) the transferor had not taken any steps by advertising or otherwise to dispose of any part of the holding or to make his willingness to dispose of it known to the authority or others.
- (2) If the transferor so claims, the transfer shall not be treated for the purposes of Part III of the Finance Act 1965 as a disposal, but all sums which, if it had been so treated, would have been brought into account as consideration for that disposal in the computation under Schedule 6 to that Act of a gain accruing on the disposal shall be deducted from any expenditure allowable under that Schedule as a deduction in computing a gain on any subsequent disposal of the holding.
- (3) For the purposes of this paragraph the holding of land shall comprise only the land in respect of which the expenditure allowable under paragraphs (a) and (b) of paragraph 4(1) of Schedule 6 to the Finance Act 1965 would be apportioned under paragraph 7 of that Schedule if the transfer had been treated as a disposal (that is, as a part disposal of the holding).
- (4) In this paragraph references to a holding of land include references to an estate or interest in a holding of land, not being an estate or interest which is a wasting asset, and references to part of a holding shall be construed accordingly.
- (5) In this paragraph " authority exercising or having compulsory powers " means, in relation to the land transferred, a person or body of persons acquiring it compulsorily or who has or have been, or could be, authorised to acquire it compulsorily for the purposes for which it is acquired, or for whom another person or body of persons has or have been, or could be, authorised so to acquire it.

Expenses of valuation, & c., incurred by personal representatives.

- 5 In computing under Schedule 6 to the Finance Act 1965 the gain accruing on a disposal of assets deemed to be made by an individual on his death, the sums allowable as a deduction under paragraph 4 of that Schedule shall include any costs incurred by the personal representatives or other persons on whom the assets devolve which would have been incidental costs of making the disposal within sub-paragraph (2) of that paragraph if they had been incurred by the deceased.

Assets held on 6th April 1965 and affected by a company amalgamation.

- 6 (1) The reference in paragraph 27(1) of Schedule 6 to the Finance Act 1965 to paragraph 6 of Schedule 7 to that Act (company amalgamations) shall include a reference to that paragraph as extended by paragraph 7 of that Schedule.
- (2) This paragraph has effect as respects any disposal of shares or securities on or after 17th May 1966.

Apportionment of cost of acquisition of new holding of shares, etc.

- 7 (1) This paragraph shall apply to a new holding, as denned in sub-paragraph (1)(b) of paragraph 4 of Schedule 7 to the Finance Act 1965 (which, as extended by section 45(8) of that Act, provides for a new holding resulting from a reorganisation

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or reduction of the capital of a company or unit trust scheme being treated as the same as the original holding)—

- (a) if it consists of more than one class of shares in or debentures of the company and one or more of those classes is of shares or debentures which, at any time not later than the end of the period of three months beginning with the date on which the reorganisation or reduction of capital took effect, or of such longer period as the Board may by notice in writing allow, had quoted market values on a recognised stock exchange in the United Kingdom or elsewhere, or
 - (b) if it consists of more than one class of rights of unit holders and one or more of those classes is of rights the prices of which were published daily by the managers of the scheme at any time not later than the end of that period of three months (or longer if so allowed).
- (2) Where for the purpose of computing the gain or loss accruing to a person from the acquisition and disposal of the whole or any part of any class of shares or securities or rights of unit holders forming part of a new holding to which this paragraph applies it is necessary to apportion costs of acquisition between what is disposed of and what is retained, the cost of acquisition of the new holding shall first be apportioned between the entire classes of shares or debentures or rights of which it consists by reference to market value on the first day (whether that day fell before the reorganisation or reduction of capital took effect or later) on which market value or prices were quoted or published for the shares, debentures or rights as mentioned in sub-paragraph (1) (a) or (1)(b) above (with such adjustment of the market value of any class as may be required to offset any liability attaching thereto but forming part of the cost to be apportioned); and this sub-paragraph shall have effect notwithstanding sub-paragraph (5) of the said paragraph 4 (which requires apportionment by reference to market value at the date of disposal).
- (3) The foregoing provisions of this paragraph shall have effect as if contained in the said paragraph 4, and paragraphs 5, 6 and 7 of the said Schedule 7 (which apply the said paragraph 4 subject to modifications) shall have effect accordingly.
- (4) For the purposes of this paragraph the day on which a reorganisation of share capital involving the allotment of shares or debentures or unit holders' rights takes effect is the day following the day on which the right to renounce any allotment expires.
- (5) This paragraph applies to a disposal of part of a new holding at any time after the end of the year 1965-66 and, if a person so elects by notice in writing given to the inspector not later than the end of the year 1966-67 as respects a new holding, it shall also apply to a disposal by that person of part of that new holding at any time in the year 1965-66; and such adjustments shall be made whether by way of discharge or repayment of tax or assessment to tax' or otherwise as are required to give effect to the election.

Disposal of right to acquire shares.

- 8 (1) Where a person receives or becomes entitled to receive in respect of any shares in a company a provisional allotment of shares in or debentures of the company and he disposes of his rights paragraph 3 of Schedule 7 to the Finance Act 1965 shall apply as if the amount of the consideration for the disposal were a capital distribution received by him from the company in respect of the first-mentioned shares, and as if that person had, instead of disposing of the rights, disposed of an interest in those shares.

- (2) If under Part II of Schedule 6 to the Finance Act 1965 it is to be assumed that, at a time after the creation of the rights and before their disposal, the said person sold and immediately reacquired the shares in respect of which the rights were created, the same assumption shall be made as respects the rights.
- (3) This paragraph shall apply in relation to rights obtained in respect of debentures of a company as it applies in relation to rights obtained in respect of shares in a company.
- (4) Sub-paragraph (6) of paragraph 4 of the said Schedule 7 (which is superseded by this paragraph) shall cease to have effect.

Capital receipts not treated as disposals.

- 9 (1) The following provisions (under which the consideration for a part disposal of an asset, instead of giving rise to a gain (or loss) accruing on the part disposal, goes to reduce the expenditure allowable in computing a gain accruing on a subsequent disposal of the asset), that is—
 - (a) paragraphs (b) and (c) of paragraph 13(1) of Schedule 6 to the Finance Act 1965,
 - (b) paragraph 3(2) of Schedule 7 to that Act (as extended by paragraph 8 of this Schedule), and
 - (c) paragraph 4 of this Schedule,shall have effect subject to the provisions of this paragraph.
- (2) None of those provisions shall apply if immediately before the part disposal there is no expenditure attributable to the asset under paragraphs (a) and (b) of paragraph 4(1) of Schedule 6 to the Finance Act 1965 (deductions allowable in computing a gain), or if the consideration for the part disposal exceeds that expenditure but, if there is any such expenditure and the recipient so elects.—
 - (a) the amount of the consideration for the part disposal shall be reduced by the amount of that expenditure, and
 - (b) none of that expenditure shall be allowable as a deduction in computing a gain accruing on the occasion of the part disposal or any subsequent occasion.

Insolvents' assets.

- 10 (1) In relation to assets held by a person as trustee or assignee in bankruptcy or under a deed of arrangement Part III of the Finance Act 1965 shall apply as if the assets were vested in, and the acts of the trustee or assignee in relation to the assets were the acts of, the bankrupt or debtor (acquisitions from or disposals to him by the bankrupt or debtor being disregarded accordingly), and tax in respect of any chargeable gains which accrue to any such trustee or assignee shall be assessable on and recoverable from him.
- (2) Assets held by a trustee or assignee in bankruptcy or under a deed of arrangement at the death of the bankrupt or debtor shall for the purposes of the said Part III be regarded as held by a personal representative of the deceased and—
 - (a) sub-paragraph (1) above shall not apply after the death, and
 - (b) section 24(1) of the Finance Act 1965 (under which assets passing on a death are deemed to be disposed of by the deceased) shall apply as if any assets held by a trustee or assignee in bankruptcy or under a deed of arrangement

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at the death of the bankrupt or debtor were assets of which the deceased was competent to dispose and which then devolved on the trustee or assignee as if he were a personal representative.

- (3) Assets vesting in a trustee in bankruptcy after the death of the bankrupt or debtor shall for the purposes of the said Part III be regarded as held by a personal representative of the deceased, and sub-paragraph (1) above shall not apply.
- (4) Where in consequence of the foregoing provisions of this paragraph there is more than one person who is or is to be regarded as the personal representative of a deceased person, the amount available for relief under subsection (2) of the said section 24 of the Finance Act 1965 shall be apportioned between them according to the respective values of the property devolving or to be regarded as devolving on them on the death.
- (5) The definition of "settled property" in section 45(1) of the Finance Act 1965 shall not include any property as being property held by a trustee or assignee in bankruptcy or under a deed of arrangement.
- (6) In this paragraph "deed of arrangement" means a deed of arrangement to which the Deeds of Arrangement Act 1914 or any corresponding enactment forming part of the law of Scotland or Northern Ireland applies.

Policies of insurance.

- 11 In paragraph 10(1) of Schedule 7 to the Finance Act 1965 the words from the beginning to "neither" exclusive in line 5 shall be omitted.

Commencement.

- 12 Except as otherwise expressly provided, this Part of this Schedule, as it relates to capital gains tax chargeable under Part III or Part IV of the Finance Act 1965, shall have effect for the year 1965-66 as well as later years of assessment.

Construction.

- 13 This Part of this Schedule shall be construed as one with Part III of the Finance Act 1965.

PART II

SHORT-TERM CAPITAL GAINS

Insolvents' assets.

- 14 (1) For the purposes of section 12(5) of the Finance Act 1962 (property held by nominee or trustee for a person absolutely entitled to the property) assets held by a person as trustee or assignee in bankruptcy or under a deed of arrangement shall be regarded as assets to which the bankrupt or debtor is absolutely entitled as against the trustee or assignee and, without prejudice to the general provisions of the Income Tax Acts as to the assessment of any such trustee or assignee, tax in respect of any gain accruing on an acquisition and disposal shall be assessable on and recoverable from any such trustee or assignee not only where the acquisition and disposal were effected by him

but also where either the acquisition or disposal was effected by him and the other was effected by the bankrupt or debtor.

- (2) Assets vesting in a trustee in bankruptcy after the death of the bankrupt, or held by a trustee or assignee in bankruptcy or under a deed of arrangement at the death of the bankrupt or debtor, shall for the purposes of Case VII be regarded as held by a personal representative of the deceased, and sub-paragraph (1) above shall not apply after the death.
- (3) In this paragraph " deed of arrangement " has the same meaning as in paragraph 10 above.
- (4) Section 15(6) of the Finance Act 1962 (which exempts short-term gains accruing to a person as trustee or assignee in bankruptcy) shall cease to have effect.
- (5) This paragraph does not have effect in relation to assets transferred from the bankrupt or debtor before 4th May 1966.

Apportionment of cost of acquisition of new holding of shares, etc.

- 15 (1) This paragraph shall apply to a new holding, as denned in sub-paragraph (1)(b) of paragraph 10 of Schedule 9 to the Finance Act 1962 (which, as extended by section 16(4) of that Act, provides for a new holding resulting from a reorganisation or reduction of the capital of a company or unit trust scheme being treated as the same as the original holding)—
 - (a) if it consists of more than one class of shares in or debentures of the company and one or more of those classes is of shares or debentures which, at any time not later than the end of the period of three months beginning with the date on which the reorganisation or reduction of capital took effect, or of such longer period as the Board may by notice in writing allow, had quoted market values on a recognised stock exchange in the United Kingdom or elsewhere, or
 - (b) if it consists of more than one class of rights of unit holders and one or more of those classes is of rights the prices of which were published daily by the managers of the scheme at any time not later than the end of that period of three months (or longer if so allowed).
- (2) Where for the purpose of computing the gain or loss accruing to a person from the acquisition and disposal of the whole or any part of any class of shares or securities or rights of unit holders forming part of a new holding to which this paragraph applies it is necessary to apportion costs of acquisition between what is disposed of and what is retained, the cost of acquisition of the new holding shall first be apportioned between the entire classes of shares or debentures or rights of which it consists by reference to market value on the first day (whether that day fell before the reorganisation or reduction of capital took effect or later) on which market values or prices were quoted or published for the shares, debentures or rights as mentioned in sub-paragraph (1) (a) or (1)(b) above (with such adjustment of the market value of any class as may be required to offset any liability attaching thereto but forming part of the cost to be apportioned); and this sub-paragraph shall have effect notwithstanding sub-paragraph (5) of the said paragraph 10 (which requires apportionment by reference to market value at the date of disposal).

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- (3) The foregoing provisions of this paragraph shall have effect as if contained in the said paragraph 10 and paragraphs 11, 12 and 13 of the said Schedule 9 (which apply the said paragraph 10 subject to modifications) shall have effect accordingly.
- (4) For the purposes of this paragraph the day on which a reorganisation of share capital involving the allotment of shares or debentures or unit holders' rights takes effect is the day following the day on which the rights to renounce any allotment expires.
- (5) This paragraph applies to a disposal of part of a new holding at any time after the end of the year 1965-66 and, if a person so elects by notice in writing given to the inspector not later than the end of the year 1966-67 as respects a new holding, it shall also apply to a disposal by that person of part of that new holding at any time in the year 1965-66 ; and such adjustments shall be made whether by way of discharge or repayment of tax or assessment to tax or otherwise as are required to give effect to the election.

SCHEDULE 11

Section 44.

SUPPLEMENTARY PROVISIONS AS TO SELECTIVE EMPLOYMENT TAX.

- 1 Subject to the following provisions of this Schedule, the relevant insurance provisions shall have effect (for the purposes of the Insurance Acts as well as for the purposes of section 44 of this Act and this Schedule) as if—
 - (a) the tax which an employer is liable to pay in respect of a person for a contribution week ; and
 - (b) the employer's insurance contribution for that week in respect of that person,
 together constituted one combined contribution payable by him under the Insurance Acts in respect of that person for that week, and as if the whole of the combined contribution in question were payable into the appropriate fund.
- 2 Nothing in the foregoing paragraph shall be construed—
 - (a) as affecting the rate of any employer's insurance contribution ; or
 - (b) as excepting any person who pays, or is liable to pay, an employer's insurance contribution, or as conferring any power to except any such person, from liability to pay the tax ; or
 - (c) as conferring any power to modify the rate of the tax in relation to any class of persons ; or
 - (d) as prejudicing the operation of section 2 of the National Health Service Contributions Act 1965, section 28 of the Redundancy Payments Act 1965, section 38 of the Contracts of Employment and Redundancy Payments Act (Northern Ireland) 1965 or section 2 of the Health Service Contributions Act (Northern Ireland) 1966 (which make corresponding provision with respect to payments under those Acts).
- 3 References in any enactment other than the Insurance Acts to contributions under those Acts or to sums due or payable into either of the appropriate funds shall be construed as including references to the tax.
- 4 In addition to the definitions contained in section 44(9) of this Act, in this Schedule the following expressions have the following meanings respectively, that is to say—

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" appropriate fund " means—

- (a) in relation to Great Britain, the National Insurance Fund;
- (b) in relation to Northern Ireland, the Northern Ireland National Insurance Fund;

" enactment " includes an enactment of the Parliament of Northern Ireland;

" relevant insurance provisions " means the Insurance Acts other than—

- (a) sections 7, 58 and 83(1) of the National Insurance Act 1965 ; and
- (b) sections 7, 57 and 81(1) of the National Insurance Act (Northern Ireland) 1966,

and, except in so far as may be provided by any Order in Council or regulations made under the Insurance Acts after the passing of this Act, all Orders in Council and regulations made or having effect as if made under those Acts, whether made before or after the passing of this Act.

SCHEDULE 12

Section 45.

TRANSFERS OF HARBOUR UNDERTAKINGS.

Capital allowances.

- 1 (1) There shall be made to or on the transferee in accordance with section 56 of the Finance Act 1965 (capital allowances) all such allowances and charges as would, if the transferor had continued to carry on the trade, have fallen to be made to or on it under that section, and the amount of any such allowance or charge shall be computed as if the transferee had been carrying on the trade since the transferor had begun to do so and as if everything done to or by the transferor had been done to or by the transferee.
- (2) No sale or transfer which on the transfer of the trade is made by the transferor to the transferee of any assets in use for the purposes of the trade shall be treated as giving rise to any such allowance or charge.

Annual value of trade premises.

- 2 For the purposes of Schedule 8 to the Finance Act 1963 (transitional allowances for annual value of trade premises) any occupation of land for the purposes of the trade by the transferor shall be treated as having been the occupation of the transferee.

Terminal losses.

- 3 The transferor shall not be entitled to relief under section 59 of the Finance Act 1965 in respect of the trade.

Chargeable gains.

- 4 (1) The transferee shall be entitled to relief from corporation tax under section 55(1) and, where applicable, section 82(4) of the Finance Act 1965 for any amount for which the transferor would have been entitled to claim relief in respect of allowable losses if it had continued to carry on the trade.

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- (2) For the purposes of Part III of the Finance Act 1965 any asset transferred on the transfer of the trade shall be deemed to be for a consideration such that no gain or loss accrues to the transferor on its transfer; and for the purposes of Part II of Schedule 6 to that Act the transferee shall be treated as if the acquisition by the transferor of any asset so transferred had been the transferee's acquisition thereof.

Exclusion of transitional relief on cessation of trade.

- 5 The transferor shall not be entitled to relief under section 87 of the Finance Act 1965 in respect of the trade.

SCHEDULE 13

Section 53.

REPEALS.

PART I

BETTING AND GAMING REPEALS

Chapter	Short Title	Extent of Repeal
1963 c. 3.	The Betting Duties Act 1963.	<p>In section 1(2), paragraph (i) and the words " (ii) in any other case ".</p> <p>In section 2(1), the words " derived from the pool betting duty ".</p> <p>In section 2(2)(a), sub-paragraphs (ii) and (iii).</p> <p>In section 2(4), the words " by way of pool betting ".</p> <p>Section 4.</p> <p>In Schedule 1, paragraphs 7 and</p> <p>Schedule 2.</p>
1964 c. 49.	The Finance Act 1964.	<p>In section 7(1), the words "and the bookmakers' licence duty ".</p> <p>In section 7(1)(a), the words from " which " to " cases ", the words " ' 10 per cent.' and ", the word " respectively ", the words "' 5 per cent.'" and</p>

The above repeals, except those in section 2 of the Betting Duties Act 1963, shall not have effect in relation to any period falling or bet made before 24th October 1966.

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Chapter	Short Title	Extent of Repeal
		" , and the word " and " where it appears at the end of the paragraph. Section 7(1)(b).
The above repeals, except those in section 2 of the Betting Duties Act 1963, shall not have effect in relation to any period falling or bet made before 24th October 1966.		

PART II

OTHER CUSTOMS AND EXCISE REPEALS

Chapter	Short Title	Extent of Repeal
15 & 16 Geo. 6. and 1 Eliz. 2. c. 44.	The Customs and Excise Act 1952.	In section 14(1), the words " in any port ". In section 17(1), the words " in any port or customs airport " and " at that port or airport ". In section 29(1), the words " by sea or air ". In section 284(2), the words " on the water or in the air ".
1963 c. 25.	The Finance Act 1963.	Section 9.
1965 c. 25.	The Finance Act 1965.	Section 4.

PART III

FRIENDLY SOCIETIES REPEALS

Chapter	Short Title	Extent of Repeal
59 & 60 Vict. c. 25.	The Friendly Societies Act 1896.	The proviso to section 8(1). Section 41(1)
11 & 12 Geo. 6. c. 39.	The Industrial Assurance and Friendly Societies Act 1948.	Section 5.
15 & 16 Geo. 6. and 1 Eliz. 2. c. 10.	The Income Tax Act 1952.	In section 440(1) the words from " which is precluded " to " by way of annuity ".
4 & 5 Eliz. 2. c. 54.	The Finance Act 1956.	In section 26, subsections (3) and (4).

Act of the Parliament of Northern Ireland

All the provisions of this Part of this Schedule shall extend to Northern Ireland.

Status: This is the original version (as it was originally enacted).

Chapter	Short Title	Extent of Repeal
12 & 13 Geo. 6. c. 22.	The Industrial Assurance and Friendly Societies Act (Northern Ireland) 1948.	Section 5.
All the provisions of this Part of this Schedule shall extend to Northern Ireland.		

PART IV

INVESTMENT AND INITIAL ALLOWANCES REPEALS

Chapter	Short Title	Extent of Repeal
2 & 3 Eliz. 2. c. 44.	Finance Act 1954.	Section 16. Schedule 2.
4 & 5 Eliz. 2. c. 54.	The Finance Act 1956.	Section 15. In section 16(2), the words "investment or ".
5 & 6 Eliz. 2. c. 49.	The Finance Act 1957.	Section 15. In section 16(1) and (3), the words " or investment". In Schedule 3, in paragraph 2, the words " or investment".
7 & 8 Eliz. 2. c. 58.	The Finance Act 1959.	Sections 21 and 22. Schedules 4 and 5.
8 & 9 Eliz. 2. c. 44.	The Finance Act 1960.	In section 72(1), the words " (including investment allowances) " and the proviso. In section 72(6), the words " other than an investment allowance ". Section 72(10). In section 72(13), the words from the beginning to " aforesaid ".
1963 c. 25.	The Finance Act 1963.	Section 33. In section 36(1), the words from " and section " onwards. In section 40(1), the word "investment ".

The above repeals shall not affect allowances in respect of expenditure incurred before 17th January 1966 or in respect of such expenditure as is referred to in section 35(2) of this Act.

Status: This is the original version (as it was originally enacted).

Chapter	Short Title	Extent of Repeal
1965 c. 25.	The Finance Act 1965.	<p>In section 56, the words " (including investment allowances)".</p> <p>In section 63, the words " including section 16 of the Finance Act 1954 (investment allowances) ".</p> <p>In section 85(6)(b)(ii) the words " investment allowances or" and the words " investment or ".</p> <p>In Schedule 6, in paragraph 6(4)(a) the words " an investment allowance or ".</p> <p>In Schedule 14, in paragraph 1(5), the words " (but not any investment allowance) " and, in paragraph 6(3), the words " exclusive of any investment allowance".</p>

The above repeals shall not affect allowances in respect of expenditure incurred before 17th January 1966 or in respect of such expenditure as is referred to in section 35(2) of this Act.

PART V

FREE DEPRECIATION REPEALS

Chapter	Short Title	Extent of Repeal
1963 c. 25.	The Finance Act 1963.	Sections 38 and 39.

The above enactments shall continue to have effect for the purposes of section 38(7) of the Finance Act 1963, including that provision as applied by section 39(3) of that Act.

PART VI

MISCELLANEOUS REPEALS

Chapter	Short Title	Extent of Repeal
15 & 16 Geo. 6. and 1 Eliz. 2. c. 10.	The Income Tax Act 1952.	<p>In section 249(1) the words from " after deducting " to the end of the subsection.</p> <p>In section 351(1)(c) the word " periodical".</p>

The repeal in section 6(1) of the Post Office Act 1953 shall have effect on the coming into force of section 48 of this Act.

Status: This is the original version (as it was originally enacted).

Chapter	Short Title	Extent of Repeal
1 & 2 Eliz. 2. c. 36. 10 & 11 Eliz. 2. c. 44. 1965 c. 25.	The Post Office Act 1953. The Finance Act 1962. The Finance Act 1965.	<p>Paragraph 4 in Part I of Schedule 17 as respects dividends paid (in the sense of section 89(4) of the Finance Act 1965) after 5th April 1966.</p> <p>The proviso to section 6(1). Section 12(3)(c). Section 15(6). Section 12(3). Section 22(4)(c). In section 37(3)(b) the words " acquired on or after that date ". In section 49(6) the words " and the Resolution is agreed to by the House" and the words " and agreed to "; and in section 49(7) the words from " and all enactments " to the end of the subsection. Section 64(2)(b). In section 69, in subsection (5) the words from "and the exclusion " to the end of the subsection and in subsection (7) the words from " but notwithstanding " to the end of the subsection. Section 82 as respects any gain or loss accruing after the end of the year 1965-66. In Schedule 7 paragraph 4(6). In Schedule 18, paragraph 10, the words from " and the powers conferred " to the end of the paragraph.</p>

The repeal in section 6(1) of the Post Office Act 1953 shall have effect on the coming into force of section 48 of this Act.