



Finance Act 1927

1927 CHAPTER 10

PART III

AMENDMENT WITH RESPECT TO METHOD OF CHARGING ADDITIONAL INCOME
TAX ON HIGHER INCOME, BASIS OF ASSESSMENT UNDER SCHEDULE E., &C

38 Charge of income tax at standard rate and at higher rates in respect of income above certain amount

(1) Income tax for the year 1928-29 and every subsequent year shall, instead of being charged at a single rate, be charged at a standard rate and, in the case of an individual whose total income from all sources exceeds a stated amount, at a rate or rates exceeding the standard rate in respect of any part or parts of his income in excess of that amount, and where income tax is so charged for any year the following provisions shall have effect, subject to the other provisions of this Part of this Act—

(a) all such enactments relating to income tax as were in force immediately before the commencement of this Part of this Act shall, in so far as they relate to income tax (not including supertax) have effect as if income tax were charged for that year at the standard rate only, and in the case of an individual whose total income exceeds the stated amount, the amount of the income tax so charged shall, so far as that income tax is borne by him in respect of his income, be deemed to be an instalment at the standard rate of the amount of income tax for which he is chargeable for that year ;

(b) where the amount of income tax payable by an individual for that year in respect of his total income is greater than the amount which would have been payable by him in respect thereof if income tax had been chargeable at the standard rate only, the difference between those two amounts (in this Part of this Act referred to as " sur-tax ") shall be computed, assessed, charged, collected and paid as a deferred instalment of income tax according to the provisions of this Part of this Act relating to sur-tax;

and super-tax shall not be charged for the year 1929-30 or any subsequent year.

(2) The expression " total income" in relation to any person means the total income of that person from all sources estimated, as the case may be, either in accordance with

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the provisions of the Income Tax Acts as they apply to income tax chargeable at the standard rate or in accordance with those provisions as they apply to sur-tax.

39 Provisions with respect to income tax chargeable by way of deduction

- (1) Such of the provisions of the Income Tax Acts as provide that income tax may be deducted from any payment at the rate or rates of tax in force during the period through which the payment was accruing due, or that there may be deducted from any dividend the tax appropriate thereto, or that a proportionate deduction of the tax charged shall be allowed by any person out of any produce or value payable to him, shall have effect as if they provided that tax may be deducted or shall be allowed at the standard rate for the year in which the amount payable becomes due :

Provided that this subsection shall not—

- (a) apply to the deduction to be made under Rule 1 of No. VIII in Schedule A.; or
 - (b) affect the first proviso to Rule 4 of the said No. VIII relating to deductions in Scotland.
- (2) In estimating under the Income Tax Acts the total income of any person, any income which is chargeable with income tax by way of deduction at the standard rate in force for any year shall be deemed to be income of that year, and any deductions which are allowable on account of sums payable under deduction of income tax at the standard rate in force for any year out of the property or profits of that person shall be allowed as deductions in respect of that year, notwithstanding that the income or sums, as the case may be, accrued or will accrue in whole or in part before or after that year.
- (3) Where a person is required to be assessed and charged with income tax in respect of any property, profits or gains out of which he makes any payment in respect of any annual interest, annuity or other annual sum, or any royalty or other sum in respect of the user of a patent, he shall, in respect of so much of the property, profits or gains as is equal to the said payment and may be deducted in computing his total income, be charged at the standard rate only.

40 Substitution of reliefs by way of deductions from tax for reliefs by way of deductions from assessable income, & c

- (1) The enactments set out in Part I of the Fifth Schedule to this Act in so far as they provide for relief from income tax either by means of a deduction from assessable income or from the amount of earned income or from the amount of total income, shall, subject to the amendments specified in the third column of the said Part I, have effect as if they provided for relief from income tax by means of a deduction from the amount of income tax with which any individual is chargeable equal to tax at the standard rate on the amount of the deduction from income to which he would have been entitled under the said provisions:

Provided that the amount of any deduction under this subsection shall be subject to such adjustment as may be proper in any case where relief is given in respect of Dominion income tax.

- (2) Every individual shall, in substitution for the relief under section twenty-three of the Finance Act, 1920, be entitled to have the amount of the income tax which remains chargeable on him in respect of his total income after there has been made any deduction of tax to which he is entitled under subsection (1) of this section reduced by a further deduction equal to one-half of the amount so remaining chargeable or

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equal to one-half the tax at the standard rate on two hundred and twenty-five pounds, whichever is the less :

Provided that, where an individual has received relief from United Kingdom income tax in respect of Dominion income tax, the deduction to be made under this subsection shall not be less than it would have been if no such relief had been given, but nothing in this subsection shall affect any adjustment required to be made under subsection (3) of section twenty-seven of the Finance Act, 1920 (which provides for an adjustment where relief in respect of Dominion income tax has been allowed in respect of any part of the income of any individual at a rate greater than the rate appropriate to his case).

- (3) Where under the provisions of the Income Tax Acts an individual is entitled to claim relief from income tax (other than relief in respect of life insurance premiums), by repayment or otherwise, in respect of any amount which is paid or borne by him out of his income or which is allowable or may be deducted therefrom, or in respect of any reduction of an assessment relating to his income or any part thereof, or in respect of any adjustment or set off with regard to a loss, and claims that relief for any year of assessment, any relief granted shall not extend so as to make the total income tax paid or payable by that individual for that year less than it would have been if the amount in respect of which relief is claimed had been deducted in computing his total income for that year and the amount of any other deductions or reliefs to which he is entitled for that year had been determined accordingly.
- (4) Any reference in any provision of the Income Tax Acts to any allowance or deduction which is replaced by a relief under this section shall be construed reference to such last-mentioned relief.

41 Provisions with respect to making and determination of claims

- (1) A claim for a deduction of tax under the last preceding section of this Act shall be delivered to the surveyor and shall be made in such form as the Commissioners of Inland Revenue may direct.
- (2) Where the surveyor objects to any such claim it shall be heard and determined by the commissioners concerned in like manner as in the case of an appeal against an assessment under Schedule D, and the provisions of the Income Tax Acts relating to a statement of a case for the opinion of the High Court on a point of law shall apply.
- (3) Subject to the provisions of this section, all the provisions of the Income Tax Acts relating to claims for any allowance or deduction shall, with any necessary modifications, apply to claims to which this section relates:

Provided that nothing in this section shall affect the provisions of section twenty of the Finance Act, 1926 (which relates to the making of claims by certain individuals who are not resident in the United Kingdom).

42 Provisions as to date of payment, assessment, & c of sur-tax

- (1) Sur-tax shall be due and payable as a deferred instalment of income tax on or before the first day of January next after the end of the year of assessment for which it is payable, except that sur-tax or any part of any sur-tax included in an assessment which is signed and allowed on or after the said first day of January shall be deemed to be due and payable on the day next after the day on which the assessment is signed and allowed.

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- (2) Sur-tax shall be assessed and charged by the Special Commissioners, and, notwithstanding anything in the Income Tax Acts providing for the separate assessment of income arising from different sources, shall be assessed and charged in one sum.
- (3) The Special Commissioners may make an assessment or additional assessment in respect of sur-tax during any time within the year of assessment or within the period allowed by the Income Tax Acts for the making of assessments and additional assessments in respect of income tax charged at the standard rate, and section twenty-four of the Finance Act, 1923 (which provides for relief in respect of error or mistake) shall, with any necessary modifications, apply to sur-tax as it applies to tax charged under an assessment under Schedule D.
- (4) Where an assessment to income tax made at the standard rate has under the provisions of the Income Tax Acts become final and conclusive for any year, the assessment shall also be final and conclusive for the purpose of estimating total income for the purpose of sur-tax for that year, and no allowance or adjustment of liability on the ground of diminution of income or loss shall be taken into account in estimating the total income for that purpose, unless that allowance or adjustment has been previously made in respect of the income tax charged at the standard rate on an application under the special provisions of the Income Tax Acts relating thereto.
- (5) For the purpose of charging sur-tax, there shall be deducted from the total income of an individual in the service of the Crown abroad, any such sum as the Treasury may allow for expenses which, in their opinion, are necessarily incidental to the discharge of the functions of his office, and for which an allowance has not already been made.
- (6) Relief from United Kingdom income tax in respect of Dominion income tax shall not be taken into account in computing sur-tax, but shall be given from income tax charged or chargeable at the standard rate.
- (7) Assessments in respect of sur-tax shall be subject to appeal to the Special Commissioners except on such matters as under subsection (4) of this section are to be regarded as having been finally and conclusively determined, and all the provisions of the Income Tax Acts relating—
 - (a) to persons who are to be chargeable with income tax at the standard rate and to assessments to such tax;
 - (b) to appeals against such assessments;
 - (c) to the collection and recovery of such tax;
 - (d) to cases to be stated for the opinion of the High Court;
 shall, so far as they are applicable, apply to the charge, assessment, collection and recovery of sur-tax, and the Special Commissioners shall, for the purpose of assessment of sur-tax, have any powers of a surveyor and, for the purpose of the representation of the Crown on any appeal before the Special Commissioners, any person nominated in that behalf by the Commissioners of Inland Revenue shall have the same power at, and upon the determination of, the appeal as a surveyor has at, and upon the determination of, any appeal relating to income tax at the standard rate.
- (8) The Commissioners of Inland Revenue may make regulations for the purpose of carrying into effect the provisions of this Act relating to sur-tax.
- (9) If an application is made for the purpose in such manner and form as may be prescribed by the Commissioners of Inland Revenue, by either a husband or wife, before the sixth day of July in the year next following the year of assessment:—

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- (a) Sur-tax for that year shall be assessed, charged and recovered on the income of the husband and on the income of the wife as if they were not married, and all the provisions of this Act with respect to the assessment, charge and recovery of sur-tax, and the penalties for failure to make a return, shall apply as if they were not married; and
- (b) The income of the husband and wife shall be treated as one in estimating total income for the purposes of sur-tax, and the amount of sur-tax payable in respect of the total income shall be divided between the husband and wife in proportion to the amounts of their respective incomes and the total amount payable shall not be less than it would have been if an application had not been made under this section.

The Special Commissioners may require returns to be made at any time for the purpose of this subsection.

- (10) Subject to the provisions of this Part of this Act, all the provisions of the Income Tax Acts which are in force as from the date of the commencement of this Part of this Act (other than Part II of the Income Tax Act, 1918), shall, in so far as they relate to super-tax or to any matter or thing touching super-tax, continue to have effect and be construed as relating also to sur-tax and to any similar matter or thing touching sur-tax, and as if, in the case of any individual liable to sur-tax, a return which he has been required to make under subsection (1) of the next following section of this Act were a return which he had been required to make of his total income for the purposes of super-tax.

43 Power to require returns of income from all sources

- (1) The provisions of the Income Tax Acts which direct that persons shall prepare and deliver statements of profits or gains shall be extended so as to require any individual upon whom a particular notice is served for that purpose to prepare and deliver within the time limited by such notice a true and correct return in the prescribed form of all the sources of his income and of the amount derived from each source for the year preceding the year of assessment, computed in accordance with the provisions of the Income Tax Acts, as amended by this Act:

Provided that the computation of income shall be made by reference to the year preceding the year of assessment and not- by reference to any other year or period.

- (2) Any particular notice which under the provisions of the Income Tax Acts (including subsection (1) of this section) may be given to any person requiring him to prepare and deliver any such lists, declarations, statements or returns as are required by the Income Tax Acts to be delivered (other than a notice requiring the delivery of a statement of the annual value of lands and tenements for the purposes of assessment under Schedule A or Schedule B) shall be given by the surveyor and not by the assessor, and any list, declaration, statement or return which the person to whom the notice is given is required to make shall be delivered to the surveyor, but nothing in this subsection shall affect the operation of section one hundred and seventeen of the Income Tax Act, 1918 (which relates to the powers of assessors for public departments).
- (3) Any such lists, declarations, statements and returns as are referred to in subsections (1) and (2) of this section shall be in such form as the Commissioners of Inland Revenue shall prescribe, and in prescribing forms under this subsection the Commissioners shall have regard to the desirability of securing, as far as may be possible, that no

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person shall be required to make more than one return annually of the sources of his income and the amounts derived therefrom.

- (4) Subject to the provisions contained in this section, all the provisions of the Income Tax Acts (including the provisions of any Regulations made under those Acts) relating to the delivery of lists, declarations, statements and returns to the assessor (including the provisions relating to penalties) shall, with any necessary modifications, apply to lists, declarations, statements and returns required by this section to be delivered to the surveyor and any such lists, declarations, statements and returns shall be made available to the General, Additional or Special Commissioners and their respective clerks, and, whenever necessary, to the assessors for the preparation and making of assessments.

44 Special provisions as to returns in connection with sur-tax, & c

- (1) It shall be the duty of every individual who, for any year of assessment, is chargeable to income tax in respect of any part of his total income at a rate exceeding the standard rate to give notice that he is so chargeable to the Special Commissioners before the thirtieth day of September next following the end of that year.
- (2) In any case in which it appears to the Special Commissioners that the particulars contained in any return made by any person, whether acting on his own behalf or as representing an incapacitated, non-resident, or deceased person, are insufficient to enable them to assess and charge sur-tax or that any person has failed to make a return, the Special Commissioners may serve upon him, in manner prescribed by regulations under this Part of this Act, a notice requiring him to make a return of his total income or of the total income of the incapacitated, non-resident, or deceased person, as the case may be, and every person so required shall, whether he is or is not chargeable with sur-tax, make such a return in the form and within the time required by the notice.
- (3) If any person fails to make any such return when so required or if the Special Commissioners are not satisfied with any return made by him, they may make an assessment of sur-tax according to the best of their judgment, and if any person, without reasonable excuse, fails to make any such return as aforesaid or give any notice required by subsection (1) of this section, he shall be liable to a penalty not exceeding fifty pounds, and after judgment has been given for that penalty, to a further penalty of the like amount for every day during which the default continues.
- (4) Notwithstanding anything in this Part of this Act, section one hundred and thirty-two of the Income Tax Act, 1918 (which contains provisions against fraudulent practices) shall apply for the purposes of sur-tax as it applies for purposes of income tax at the standard rate, subject to the modification that for the words " the general commissioners for the division in which " he has been charged, or if he has not been charged, " then for any division in which he is chargeable" there shall be substituted the words " the Special Com- " missioners."

45 Basis of assessment for Schedule E, & c

- (1) Subject to the provisions of this section, Rule 1 of the Rules applicable to Schedule E shall be construed as if for the words " for the year of assessment" there were substituted the words " and shall " be computed on the amount of all such salaries, fees, " wages, perquisites or profits whatsoever therefrom for " the year preceding the year of assessment " :

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Provided that nothing in this section shall affect the basis of assessment—

- (a) in any case falling within section seventeen of the Finance Act, 1923, which provides for income tax on leave pay, etc., to be chargeable under Schedule E ; or
 - (b) in the case of any office or employment held or exercised occasionally or intermittently in the United Kingdom by a person who is not continuously resident there; or
 - (c) in the case of the half-yearly assessments on weekly wage earners employed by way of manual labour.
- (2) Any deduction from emoluments allowed under the provisions of the Income Tax Acts for the purpose of computing an assessment to income tax under Schedule E shall be made by reference to the amount paid or borne for the year or portion of the year upon the emoluments of which the computation is made.
- (3) Any person who was assessed and charged under Schedule E for the year 1927-28 in respect of any office or employment or of any annuity, pension or stipend and was so assessed and charged on the amount of the emoluments for that year shall, on giving notice in writing to the surveyor not later than the thirtieth day of June, nineteen hundred and twenty-nine, be entitled to require that any assessment under Schedule E for the year 1928-29 in respect of that office or employment or that annuity, pension or stipend shall be reduced to the amount of the emoluments for that last-mentioned year, if that amount is less than the amount of the emoluments of the preceding year, and thereupon the assessment shall be so reduced and any tax overpaid shall be repaid:

Provided that, where an assessment under Schedule E has been reduced for the year 1928-29 under the provisions of this subsection, the assessment under that Schedule for the year 1929-30 in respect of the office or employment or the annuity, pension or stipend shall be made on the amount of the emoluments thereof for that last-mentioned year.

- (4) In the case of income tax chargeable under Schedule E in respect of any office or employment held by any person, or any annuity, pension or stipend to which any person is entitled—
- (i) income tax shall be computed, as respects the year of assessment in which the person first holds the office or employment, or becomes entitled to the annuity, pension or stipend, on the amount of his emoluments for that year;
 - (ii) where the person first held the office or employment, or became entitled to the annuity, pension or stipend, on some day in the year preceding the year of assessment other than the sixth day of April, income tax shall be computed on the amount of the emoluments for the year of assessment;
 - (iii) where the person first held the office or employment, or became entitled to the annuity, pension or stipend, on the sixth day of April in the year preceding the year of assessment, or on some day in the year next before the year preceding the year of assessment other than the sixth day of April, he shall be entitled, on giving notice in writing to the surveyor within twelve months after the end of the year of assessment, to require that his emoluments shall be charged on the amount thereof for that year and if the tax charged has been paid, any tax overpaid shall be repaid.
- (5) Where in any year of assessment a person ceases to hold an office or employment or to be entitled to an annuity, pension or stipend chargeable under Schedule E, tax shall be charged for that year on the amount of his emoluments for the period beginning on

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the sixth day of April in that year and ending on the date of the cessation, and, if tax has been charged otherwise than in accordance with this provision, any tax overpaid shall be repaid, or an additional assessment may be made, as the case may require, and if the emoluments for the year ending on the fifth day of April in the year preceding the year of assessment in which the cessation occurs exceed the amount on which tax has been charged for that preceding year in respect of the office, employment, annuity, pension or stipend, an additional assessment may be made so that tax shall be charged for that preceding year on the amount of the emoluments for the said year ending on the fifth day of April.

- (6) In the case of the death of a person in whose case, if he had not died, tax would, under the provisions of the last preceding subsection, have become chargeable for any year, the tax which would have been so chargeable shall be assessed and charged upon his executors or administrators, and shall be a debt due from and payable out of his estate.
- (7) Where any person has ceased to hold an office or employment under a railway company or has ceased to be entitled to any pension paid by a railway company, such part of any tax assessed and charged upon the company under Rule 7 of the Rules applicable to Schedule E in respect of that office, employment or pension as cannot be deducted out of emoluments shall be collected and levied from that person or from his executors or administrators, as the case may be, as if he or they had been chargeable and charged with the said tax.
- (8) Section twenty-four of the Finance Act, 1923 (which provides for relief in respect of error or mistake), shall apply to tax charged under an assessment to income tax made under Schedule E as it applies to tax charged under an assessment to income tax made under Schedule D.
- (9) Rules 2, 3 and 5 of the Rules applicable to Schedule E shall cease to have effect as regards assessments under that Schedule in the case of which the basis of assessment is affected by this section.
- (10) In this section the expression " emoluments " means all salaries, fees, wages, perquisites or profits or gains whatsoever arising from an office or employment, or the amount of any annuity, pension or stipend, as the case may be.

46 Minor amendments

The amendments set out in Part II of the Fifth Schedule to this Act, being amendments consequential on the foregoing provisions of this Part of this Act, shall be made in sections twenty-five and twenty-seven of the Finance Act, 1920, and the amendments specified in the second column of Part III of the said Fifth Schedule (which are further consequential amendments or amendments which relate to minor details) shall be made in the provisions of the enactments specified in the first column of that Part of that Schedule.

47 Construction and commencement of Part III and repeal

- (1) The provisions of the Income Tax Acts shall, in relation to matters dealt with in this Part of this Act, have effect subject to the provisions of this Part of this Act and shall, so far as inconsistent therewith, cease to have effect, and subject as aforesaid this Part of this Act shall be construed as one with the Income Tax Acts.

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- (2) The provisions of this Part of this Act shall, except as otherwise expressly provided, come into operation on the sixth day of April, nineteen hundred and twenty-eight, but shall not apply to any duties of income tax or super-tax granted by Parliament before the commencement of this Part of this Act or to any super-tax for the year 1928-29 or to any enactment or matter touching any such duties or any such supertax, and all enactments relating to income tax or super-tax which are in force immediately before the commencement of this Part of this Act shall continue to have effect in relation to any such duties or any such super-tax as if this Part of this Act had not passed, notwithstanding that those enactments are inconsistent with the provisions of or are expressly repealed by this Part of this Act.
- (3) Subject to the provisions of this Act the enactments set out in Part I of the Sixth Schedule to this Act shall be repealed to the extent mentioned in the third column of that Schedule as from the dates respectively mentioned therein.