



Finance (No. 2) Act 1945

1945 CHAPTER 13

PART I

PURCHASE TAX, CUSTOMS AND EXCISE.

Purchase Tax.

- 1 Cesser of charge of purchase tax in respect of certain cooking and heating appliances and refrigerators.**
- (1) Purchase tax shall cease to be chargeable in respect of goods of the classes specified in the First Schedule to this Act.
 - (2) In accordance with the preceding subsection, the Seventh Schedule to the Finance (No. 2) Act, 1940, shall be amended by inserting in the third column thereof, immediately before the entry relating to hurricane lamps and other lamps, the words contained in the First Schedule to this Act.
 - (3) The preceding provisions of this section shall be deemed to have come into operation on the twenty-fourth day of October, nineteen hundred and forty-five.
 - (4) Tax shall not be chargeable by virtue of a purchase of goods of any of the said classes in respect of any such goods delivered under the purchase on or after the said twenty-fourth day of October, notwithstanding that the purchase was made before the said day.
 - (5) Where, in respect of goods of any of the said classes bought under a purchase made before the said twenty-fourth day of October, any tax which would have been chargeable if this Act had not been passed does not become chargeable, the buyer may, in the absence of agreement to the contrary and if the seller has had in respect of the goods the benefit of the tax not becoming chargeable, deduct from the consideration a sum equal to the amount which would have been the amount of the tax chargeable in respect of the goods if this Act had not been passed.
 - (6) Nothing in this section shall affect the operation of section twenty of the Finance (No. 2) Act, 1940 (which empowers the Treasury by order to direct that tax shall

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become chargeable in respect of goods of any class in respect of which it is not for the time being chargeable).

2 Exemption from purchase tax of wireless sets for the blind.

The Commissioners may, subject to such conditions as they may impose for the protection of the Revenue, remit purchase tax chargeable in respect of a wireless receiving set, by virtue either of a purchase thereof or of such an appropriation or application thereof as is mentioned in section twenty-five of the Finance (No. 2) Act, 1940, if they are satisfied, by a certificate to that effect given to them on behalf of a charity registered under section three of the Blind Persons Act, 1920, that the purchase, appropriation or application, was made for the purpose of making the set available for the -use of the blind to the exclusion of use otherwise, and that the property therein will be retained by the charity for that purpose.

3 Temporary exemption from purchase tax of war memorials.

Subject to such conditions as they may impose for the protection of the Revenue, the Commissioners, upon an application in that behalf made to them within the period of five years beginning with the passing of this Act, may remit purchase tax chargeable in respect of an article of furniture, plate or textile material, or an ornament, by virtue either of a purchase thereof or of such an appropriation or application thereof as is mentioned in section twenty-five of the Finance (No. 2) Act, 1940, if they are satisfied that the purchase, appropriation or application was made for the purpose of placing the article or ornament in a place of religious worship as a war memorial and that it will be retained therein.

Mechanically Propelled Vehicles.

4 Amendment as to grading of certain of the rites of excise duty on mechanically propelled hackney and goods vehicles, etc..

(1) For the purpose of providing, as respects the duties of excise chargeable in respect of mechanically propelled vehicles,—

- (a) for the grading of certain of the rates of the said duties which are graded ' according to seating capacity, or to weight unladen, by reference to units consisting respectively of a single person and of one quarter of a ton, in lieu of by reference to larger units;
- (b) for revoking such of the rates of the said duties as are chargeable in respect of vehicles by reference to their not being fitted entirely with pneumatic tyres; and
- (c) for making certain formal amendments in the provisions by which the said duties are charged;

section thirteen of the Finance Act, 1920 (which imposes the said duties) shall, as from the first day of January, nineteen hundred and forty-six, have effect subject to the subsequent provision of this section.

(2) The said section thirteen shall have effect as respects vehicles of the descriptions specified in paragraph 3 of the Second Schedule to the said Act (which paragraph relates to hackney carriages) as if the paragraph set out in Part I of the Second Schedule to this Act were substituted for that paragraph.

- (3) The said section thirteen shall have effect as respects vehicles of the descriptions specified in sub-paragraphs (a), (b) and (c) of paragraph 5 of the Second Schedule to the said Act (which paragraph relates to goods vehicles) as if for the rates of duty specified in those sub-paragraphs there were substituted the rates of duty specified in Part II of the Second Schedule to this Act.
- (4) The rates of the duties chargeable under the said section thirteen in respect of goods vehicles used solely within the area of a local authority by that local authority, or by any person acting in pursuance of a contract with that local authority, for the purpose of cleansing or watering roads or cleansing gullies shall be those specified in Part III of the Second Schedule to this Act, in lieu of those specified in sub-paragraphs (a) and (d) of the paragraph numbered 5 in the Third Schedule to the Finance Act, 1928, and—
- (a) such vehicles shall be excepted from the descriptions of vehicles specified in sub-paragraph (c) of paragraph 5 of the Second Schedule to the Finance Act, 1920, and, if used for drawing a trailer, from sub-paragraph (d) thereof;
 - (b) the proviso to section twenty-five of the Finance Act, 1933 (by virtue of which such vehicles are excepted as aforesaid), shall be repealed:

Provided that the said duties in respect of such vehicles shall be deemed for all purposes to be chargeable under paragraph 5 of the Second Schedule to the Finance Act, 1920.

5 Charge of excise duty on certain mechanically propelled vehicles by reference to cylinder capacity in lieu of horse-power.

- (1) Section thirteen of the Finance Act, 1920, shall have effect as if the following proviso were inserted at the end of paragraph 6 of the Second Schedule to that Act, that is to say,—

“Provided that, notwithstanding anything in the preceding provisions of this paragraph, the duty to be charged in respect of a vehicle falling within this paragraph which derives its motive power wholly from an internal combustion engine worked by a cylinder or cylinders shall, if the vehicle is registered under the Roads Act, 1920, for the first time on or after the appointed day, be charged at a rate for each unit or part of a unit of the cylinder capacity of the vehicle equal to four-fifths of the rate fixed by this paragraph for each unit or part of a unit of horse-power, so however that if duty so charged in respect of the vehicle would be less than duty charged in respect thereof at the rate fixed by this paragraph for a vehicle not exceeding 6 horse-power, the rate of the duty to be charged in respect of the vehicle shall be the last-mentioned rate.

For the purposes of this proviso—

- (a) a unit of cylinder capacity shall be one hundred cubic centimetres;
- (b) the appointed day shall be such day as the Treasury may by order appoint.”

- (2) In—
- (a) subsection (3) of section thirteen of the Finance Act, 1920 (which confers power to make regulations as to the calculation of a unit of horse-power);
 - (b) subsection (3) of section thirteen of the Roads Act, 1920 (which relates to the burden of proof in respect of certain matters in proceedings relating to licences under the Finance Act, 1920); and

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- (c) paragraph (f) of section twelve of the Road Traffic Act, 1934 (which provides for the avoidance of restrictions by reference to certain matters on the scope of insurance against third-party risks);
 after the words "horse-power" there shall be inserted the words " or cylinder capacity".

6 Amendment as to rate of excise duty on electrically propelled bicycles.

As from the first day of January, nineteen hundred and forty-six, section thirteen of the Finance Act, 1920, shall have effect as if, in paragraph 1 of the Second Schedule to that Act (which relates to cycles)—

- (a) the following sub-paragraph were inserted after sub-paragraph (a), namely—
 “(aa) Bicycles which are electrically propelled: 17s. 6d.”;
- (b) for the words "sub-paragraph (a) of this paragraph" there were substituted the words " sub-paragraph (a) or (aa) of this paragraph".

Hydrocarbon Oils.

7 Extension of rebate on heavy oil used for farm tractors.

Section eight of the Finance Act, 1942 (which provides for a rebate, limited to expire on the expiration of the Emergency Powers (Defence) Act, 1939, on heavy oil for certain farm tractors, etc.) shall continue in force notwithstanding the expiration of the Emergency Powers (Defence) Act, 1939, until such date as His Majesty may by Order in Council determine, and accordingly for subsection (2) of the said section eight there shall be substituted the following subsection—

- “(2) This section shall cease to have effect on such date, not being earlier than the expiration of the Emergency Powers (Defence) Act, 1939, as His Majesty may by Order in Council determine.”

8 Amendment as to duty on oils used in refineries.

- (1) Subsections (1), (2) and (4) of section two of the Finance Act, 1934 (which impose, subject to certain modifications, customs duty on imported hydrocarbon oils used in a refinery) shall cease to have effect, and in lieu thereof the following provisions of this section shall have effect.
- (2) Where any dutiable hydrocarbon oils on which customs duty has not been paid are used in a refinery for generating heat, light or power, or for producing gas, the same customs duty shall be charged and the same rebate shall be allowed in respect thereof as would be chargeable or allowable on the importation of the like oils:

Provided that the duty shall not be charged under this subsection—

- (a) in respect of oils used for generating heat, light or power where it is shown to the satisfaction of the Commissioners that the heat, light or power is consumed inside the refinery; or
- (b) in respect of oils used for producing gas where it is shown to the satisfaction of the Commissioners that the gas is not for use in generating heat, light or power, or that the heat, light or power in the generation of which it is used is consumed inside the refinery.

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- (3) Nothing in the last preceding subsection shall affect the provisions of subsection (5) of section two of the Finance Act, 1928, as to the charge of duty or allowance of rebate on oils delivered from a refinery, but where it appears to the Commissioners that a refinery is not used primarily for the purpose of subjecting hydrocarbon oils to a process of purification or blending or a process resulting in the conversion thereof into other oils or solid or semi-solid residues, the Commissioners may, notwithstanding anything in the said subsection (5), require that customs duty shall be charged on the removal of such oils to that refinery instead of on their delivery therefrom, and that any rebate allowable shall be allowed accordingly :

Provided that—

- (a) where rebate has been allowed under this subsection on the removal of oils to a refinery and those oils are converted in the refinery into light oils, an amount equal to the rebate allowed on so much of those oils as appears to the Commissioners to have been so converted shall be charged on the delivery of the light oils from the refinery for home consumption; and
 - (b) where any oils are shown to the satisfaction of the Commissioners to have been removed from a refinery with respect to which a requirement under this subsection is in force to a refinery with respect to which no such requirement is -"in-"force; any customs duty charged on removal to the first mentioned refinery, less any rebate allowed, shall be repaid.
- (4) Where it is shown to the satisfaction of the Commissioners that any indigenous hydrocarbon oils have been delivered to a refinery (not being a refinery with respect to which a requirement under the last preceding subsection is in force) and used therein, except—
- (a) for generating heat, light or power for consumption outside the refinery; or
 - (b) for producing gas for use in generating heat, light or power for consumption outside the refinery,

the Commissioners shall pay to the occupier of the refinery out of the sums received by them on account of customs duties an amount equal to the duty for the time being chargeable on the importation of the like oils, not being indigenous oils, less the amount of any rebate allowable in respect thereof:

Provided that—

- (i) oils shall not be deemed for the purposes of this sub-section to have been used by reason only that they have been subjected to a process of purification or blending, or to a process resulting in the conversion thereof into other oils or solid or semi-solid residues, or have been wasted in the course of any such process; and
- (ii) where oils are used in a refinery in any process which permits the whole or part of the oils to be recovered in a useable state, only the part, if any, of the oils not so recovered shall be treated for the purposes of this subsection as having been used; and
- (iii) where oils are so used in a refinery that an amount falls to be paid to the occupier of the refinery under this subsection, the amount to be paid shall be computed as if the amount of oils so used included any wastage of the oils occurring in the refinery which, in the opinion of the Commissioners, is properly attributable to the oils so used; and
- (iv) in computing the amount payable under this subsection rebate shall be deemed to be allowable in respect of all oils other than such oils as satisfy both of the first two requirements specified in, the definition of " light oils " in

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subsection (3) of section two of the Finance Act, 1928, that is to say the requirement as to distillation at a temperature not exceeding one hundred and eighty-five degrees centigrade and the requirement as to distillation at a temperature not exceeding two hundred and forty degrees centigrade.

(5) It is hereby declared that—

- (a) any reference to hydrocarbon oils in section three of the Finance Act, 1928 (which enables the Commissioners to make regulations) includes a reference to indigenous hydrocarbon oils; and
- (b) save in so far as those powers relate only to imported hydrocarbon "oils, any of those powers may be exercised either as respects all hydrocarbon oils or any class of hydrocarbon oils, and in particular (but without prejudice to the generality of the preceding provision) either as respects indigenous hydrocarbon oils, or as respects other hydrocarbon oils, or as respects hydrocarbon oils whether indigenous or not; and
- (c) the reference in subsection (2) of the said section three to the value of the goods (including duty) includes a reference to the value of goods in respect of which no duty is payable,

and the power of the Commissioners to make regulations under the said section three shall include power—

- (i) to prescribe the time and manner in which payments are to be made under subsection (4) of this section and the proof to be given that the conditions specified in that subsection have been satisfied; and
- (ii) to make provision for securing that gas produced in a refinery from dutiable hydrocarbon oils on which customs duty has not been paid or has been repaid, or from oils in respect of which a payment is made under subsection (4) of this section, is not used in generating heat, light or power for consumption outside the refinery.

(6) In this section the expressions' " hydrocarbon oils ", " light oils " and " refinery " have the same meanings as in section two of the Finance Act, 1928, and the expression "indigenous hydrocarbon oils" means hydrocarbon oils which have neither been imported into the United Kingdom nor produced from oils or other materials imported into the United Kingdom.

(7) Any requirement made by the Commissioners under subsection (2) of section two of the Finance Act, 1934, that customs duty shall be charged on the removal of oils to a refinery instead of on delivery therefrom shall be deemed for the purposes of this section to have been a requirement under the corresponding provision thereof.

Spirits.

9 Power to substitute regulations for certain provisions of the Spirits Act, 1880, relating to distillers.

- (1) The Commissioners may make regulations for all or any of the following purposes, that is to say—
- (a) for substituting, as respects distillers, for all or any of the provisions of the Spirits Act, 1880, specified in Part I of the Third Schedule to this Act such provisions for securing the duties on spirits and regulating the manufacture of spirits as may be set out in the regulations; and

(b) for relaxing the requirements of section ten of that Act (which provides that a distillery shall not be within a quarter of a mile of a rectifier's premises), and as from the date or which regulations made under this subsection first come into "operation, the provisions of section forty-six of that Act (which relate to the charging of excise duty on spirits made in a distillery) shall have effect subject to the provisions of Part II of that Schedule:

Provided that nothing in this subsection shall—

- (i) affect any of the said provisions in their application to rectifiers, dealers or retailers; or
 - (ii) affect the powers conferred by subsection (1) of section fourteen of the Finance Act, 1921, to make regulations with respect to spirits manufactured by a process other than the distillation of a fermented liquor.
- (2) If any person acts in contravention of or fails to comply with any regulation made under the preceding subsection, he shall for each offence be liable to an excise penalty of one thousand pounds, and the spirits in respect of which the offence was committed and any vessels, utensils and materials used for distilling or preparing those spirits shall be forfeited.
- (3) Any regulations made under subsection (1) of this section shall be laid before the Commons House of Parliament as soon as may be after they are made, and if that House within forty days from the date on which any such regulations are laid before it resolves that the regulations be annulled, the regulations shall thereupon cease to have effect but without prejudice to anything previously done or to the making of new regulations.

In reckoning any such period of forty days as aforesaid no account shall be taken of any time during which Parliament is dissolved or prorogued or during which the Commons House is adjourned for more than four days.

10 Increased penalties for offences under the Spirits Act, 1880

- (1) The fine of five hundred pounds incurred by a person who contravenes section five of the Spirits Act, 1880 (which prohibits distilling, etc., without a licence) as amended by section fourteen of the Finance Act, 1921, shall be increased to a fine of one thousand pounds and accordingly for the words " five hundred " in subsection (2) of the said section five there shall be substituted the words " one thousand ".
- (2) The fine of two hundred pounds incurred under subsection (2) of section one hundred of the Spirits Act, 1880, by a distiller who removes without a permit spirits from approved premises, within two miles from his distillery, on which he carries on the business of a dealer shall be increased to a fine of five hundred pounds, and accordingly in the said subsection (2) for the words " incur the same fine and forfeiture as if the removal had been from his spirit store " there shall be substituted the words " for each offence incur a fine of five hundred pounds and the spirits in respect of which the offence is committed shall be forfeited ".

11 Cessation of certain allowances in respect of spirits.

As from the first day of January, nineteen hundred and forty-six, no allowance shall be payable—

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- (a) under section three of the Customs and Inland Revenue Act, 1885, in respect of plain British spirits exported from or used in, or spirits in the nature of spirits of wine exported from, or used or deposited in, a customs Or excise warehouse; or
- (b) under section six of the Finance Act, 1895, in respect of spirits used for methylation which are removed from a place of methylation and exported; or
- (c) under section one of the Revenue Act, 1906, in respect of spirits (including methylic alcohol) used by an authorised methylator or received by any person for use in any art or manufacture under section eight of the Finance Act, 1902; or
- (d) under section three of the Revenue Act, 1906, in respect of spirits of wine exported direct from the premises of a person licensed to rectify or compound spirits,

and the enactments specified in Part III of the Third Schedule to this Act shall be repealed to the extent specified in the third column of that Part of that Schedule:

Provided that nothing in this section shall affect any allowance in respect of plain British, spirits exported from a customs or excise warehouse where it is shown to the satisfaction of the Commissioners that the whole of the spirits were warehoused before the said date, or any allowance in respect of any other spirits where it is shown to the satisfaction of the Commissioners that the whole of the spirits were distilled before the said date.

12 Reduction of distiller's licence duty in certain cases.

After paragraph 3 of the " provisions applicable to manufacturers' licences " in the First Schedule to the Finance (1909-10) Act, 1910 (which-provides, amongst other things, for an excise duty on distillers' licences by reference to the amount of spirits distilled in the preceding year, subject to a minimum of ten pounds) there shall be inserted the following paragraph:—

- “3A In the case of a licence granted to a distiller of spirits on or after the first day of October, nineteen hundred and forty-six, there shall be left out of account in determining the duty thereon all spirits shown to the satisfaction of the Commissioners to have been directly delivered out of the distiller's store or the distiller's warehouse—
- (a) for use in any art or manufacture so as to be exempt from duty by virtue of section eight of the Finance Act, 1902; or
 - (b) for methylation; or
 - (c) at a strength exceeding sixty degrees over proof, for exportation or for use as ship's stores,

and in determining the amount of spirits so delivered there shall be included the amount of any wastage thereof which is shown to the satisfaction of the Commissioners to have occurred in the distiller's store or the distiller's warehouse:

Provided that the duty shall in the first place be charged, levied and paid as if the reference in this paragraph to spirits delivered for the purposes therein mentioned were a reference to spirits so delivered before the end of the preceding year, and the amount of the duty shall be subsequently adjusted where spirits are delivered as aforesaid after the end of the preceding year.”

Release of Imported Goods.

13 Release of imported goods.

- (1) Where it is impracticable immediately to ascertain whether any or what customs duty is payable in respect of any goods, the Commissioners may, if they think fit, upon the making of an entry of the goods for home consumption and upon the giving by the importer or his agent of security for payment of the duty by deposit of money or otherwise to their satisfaction, allow the goods to be delivered.
- (2) The Commissioners may treat an entry made for the purposes of the preceding subsection as a perfect entry if it contains all such particulars required for perfect entry as are then known to the importer or his agent, and in that event the importer or his agent shall supply the remaining particulars as soon as may be to the Commissioners.
- (3) Where goods are allowed to be delivered under this section, the Commissioners shall, when they have determined the amount of duty which in their opinion is payable, give to the importer or his agent a notice specifying that amount, and that amount shall, subject to the provisions of the next following subsection, be deemed to be the proper duty payable, and, where a deposit has been made under subsection (1) of this section, such additional amount shall be paid, or such amount shall be repaid, as-; may be required.
- (4) Sections thirty and thirty-one of the Customs Consolidation Act, 1876 (which relate to disputes respecting duties of customs) shall (both as originally enacted and as applied by any subsequent enactment) apply in relation to the amount specified in such a notice as aforesaid as if, on the date of the notice, the goods had been delivered under the said section thirty on deposit of the said amount:

Provided that where no amount has been deposited under subsection (1) of this section or the amount deposited thereunder is less than the amount specified in the notice, it shall not be competent for proceedings to be commenced in accordance with the said section thirty to ascertain whether any or what duty is payable on the goods until the amount specified in the notice, or the difference between that amount and the amount so deposited, as the case may be, has been paid, and no interest shall be allowed under the said section thirty-one in respect of any period before the said amount or the said difference, as the case may be, is paid.

- (5) Where goods which have been delivered out of a warehouse for removal under bond to be rewarehoused are delivered under this section without having been rewarehoused, the duty to be paid on the goods shall, notwithstanding anything in section nine of the Finance Act, 1900 (which, as amended by section three of the Finance Act, 1911, provides that the duty to be paid shall be the duty chargeable at the date on which duty is paid) be the duty chargeable on the date on which security is given under this section.

14 Purchase tax : provisions as to application of customs enactments to imported chargeable goods.

- (1) The reference to enactments relating to Customs generally in subsection (1) of section eleven of the Finance Act, 1944 (which provides that such enactments are to have effect, subject to the provisions of that section, in relation to imported goods that are chargeable goods for the purposes of purchase tax) shall include a reference to any such enactment passed or made after the passing of the Finance Act, 1944, unless the contrary intention appears.

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- (2) Subsection (4) of the last preceding section shall, in its application as respects purchase tax by virtue of subsection (1) of section eleven of the Finance Act, 1944, be limited as follows, that is to say, that, so far as regards any question as to the wholesale value of goods subsections (2) and (3) of section twenty-one of the Finance (No. 2) Act, 1940 (which relate to the determination by arbitration of any such question and to the deposit of tax pending a reference to arbitration) shall have effect to the exclusion of sections thirty and thirty-one of the Customs Consolidation Act, 1876.

PART II

INCOME TAX.

15 Income tax for 1946-47.

- (1) Income tax for the year 1946-47 shall be charged at the standard rate of nine shillings in the pound, and, in the case of an individual whose total income exceeds two thousand pounds, shall be charged in respect of the excess at rates in the pound which respectively exceed the standard rate by the amounts specified in the second column of the following Table:—

TABLE

	s.	d.
For every pound of—		
the first five hundred pounds of the excess	2	0
the next five hundred pounds of the excess	2	6
the next one thousand pounds of the excess	3	6
the next one thousand pounds of the excess	4	6
the next one thousand pounds of the excess	5	6
the next two thousand pounds of the excess	6	6
the next two thousand pounds of the excess	7	6
the next two thousand pounds of the excess	8	6
the next three thousand pounds of the excess	9	6
the next five thousand pounds of the excess	10	0

		s.		d.
the remainder of the excess	10		6	

- (2) All such enactments as had effect with respect to the income tax charged for the year 1945-46, other than such enactments as by their terms relate only to tax for that year, shall have effect with, respect to the income tax charged for the year 1946-47.

16 Higher rates of income tax for 1945-46.

Income tax for the year 1945-46 shall be charged at rates exceeding the standard rate in the case of individuals whose total incomes exceed two thousand pounds and in respect of the excess of their total incomes over that sum; and the said rates shall be rates in the pound which respectively exceed the standard rate for the year 1945-46 by the amounts specified in the second column of the Table in subsection (1) of section seven of the Finance (No. 2) Act, 1940.

17 Increase of certain reliefs for 1946-47 and subsequent years.

- (1) Subsection (2) of section forty of the Finance Act, 1927 (which, as amended by subsequent enactments, provides for the reduction of the tax remaining chargeable after the allowance of other reliefs by a sum equal to seven-twentieths of the amount so remaining chargeable or seven-twentieths of the tax on one hundred and sixty-five pounds, whichever is the less) shall, as respects the year 1946-47 and all subsequent years of assessment, have effect as if the words—

“equal—

- (a) where the amount so remaining chargeable does not exceed the tax at the standard rate on fifty pounds, to two-thirds of that amount; and
- (b) where that amount exceeds the tax at the standard rate on fifty pounds, to two-thirds of the tax at the standard rate on fifty pounds plus—
 - (i) one-third of the excess; or
 - (ii) one-third of the tax at the standard rate on seventy-five pounds,

whichever is the less:”

were substituted for the words " equal to seven-twentieths of the amount so remaining chargeable p/ equal to seven-twentieths the tax at the standard rate on one hundred and sixty-five pounds, whichever is the less. "

- (2) Section eighteen of the Finance Act, 1920 (which, as amended by subsequent enactments, provides, in the case of married persons, for a deduction of tax on one hundred and forty pounds, and, in the case of single persons, for a deduction of tax on eighty pounds) shall, as respects the year 1946-47 and all subsequent years of assessment, have effect as if—
- (a) the words " one hundred and eighty pounds " were substituted for the words " one hundred and forty pounds "; and
 - (b) in subsection (1) thereof, the words " one hundred and ten pounds " were substituted for the words " eighty pounds ".
- (3) Section nineteen of the Finance Act, 1935 (which, as amended by subsequent enactments, exempts from tax incomes not exceeding one hundred and ten pounds and

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limits the tax on incomes exceeding one hundred and ten pounds but less than one hundred and thirty-three pounds to three-quarters of the excess) shall, as respects the year 1946-47 and all subsequent years of assessment, have effect as if—

- (a) the words " one hundred and twenty pounds " were substituted for the words " one hundred and ten pounds " in both places where they occur; and
 - (b) the words " one hundred and thirty-five pounds " were substituted for the words " one hundred and thirty-three pounds "; and
 - (c) the words " one-quarter " were substituted for the words " three-quarters ".
- (4) Section seven of the Finance Act, 1941 (which provides for the crediting, after the war, of certain amounts of income tax) shall not apply to tax for the year 1946-47 or any subsequent year of assessment.

18 Appointed day for Part IV of Finance Act, 1944, and Income Tax Act, 1945.

In Part IV of the Finance Act, 1944 (which relates to allowances for expenditure on scientific research) and in the Income Tax Act, 1945, the expression " the appointed day " means the sixth day of April, nineteen hundred and forty-six, and the definitions of that expression in subsection (1) of section thirty-one of the Finance Act, 1944, and subsection (1) of section sixty-eight of the Income Tax Act, 1945, are hereby repealed.

19 Extension to 1945-46 of s. 11 of Finance (No. 2) Act, 1939.

Section eleven of the Finance (No. 2) Act, 1939 (which grants relief in respect of diminution of earned income owing to circumstances directly or indirectly connected with the present war) shall apply in relation to tax for the year 1945-46 as it applied in relation to tax for the year 1939-40, with the adaptation that references to the year 1939-40 shall be construed as references to the year 1945-46 and references to the year 1938-39 shall be construed as references to the year 1944-45

20 Tax free annuities, etc..

- (1) The amendments of section twenty-five of the Finance Act, 1941, specified in this section shall have effect-for the purpose of rendering the said section twenty-five (which provides for a reduction of tax free annuities, etc., in years of assessment where the standard rate of income tax is ten shillings in the pound) applicable with modifications to all years of assessment for which the standard rate of income tax is over five shillings and sixpence in the pound.
- (2) In subsection of the said section twenty-five, for the words " is ten shillings " there shall be substituted the words " exceeds five shillings and six pence. "
- (3) For the words " twenty twenty-ninths " wherever they occur in the said section twenty-five there shall be substituted the words " the appropriate fraction "; and at the end of the said section twenty-five there shall be inserted the following subsection—
 - “(6) In this section, the expression ' the appropriate fraction ' means, in relation to any year of assessment, the fraction the denominator of which is twenty-nine and the numerator of which is twenty-nine decreased by one for every complete sixpence in the pound by which the standard rate of income tax for the year exceeds five shillings and six pence in the pound.”

- (4) In sub-paragraph (ii) of paragraph (b) of subsection (4) of the said section twenty-five, for the words " ten shillings in the pound " there should be substituted the words " the standard rate of tax for the year of assessment in which the payment falls to be made. "
- (5) Nothing in this section affects any payments falling to be made before the sixth day of April, nineteen hundred and forty-one.

21 Application of Rules 19 and 21 of the General Rules to interest, etc., payable by local authorities.

- (1) Subject to the provisions of this section, in determining for the purpose of Rules 19 and 21 of the General Rules whether any sum payable by a local authority is payable wholly out of profits or gains brought into charge to tax, all profits or gains of the authority for the year of assessment in question shall, notwithstanding any restriction imposed by law upon the application of moneys belonging to the authority, be treated as being available for the payment of any sums to which those Rules apply which fall to be paid by the authority.
- (2) Subject to the provisions of this section, where, in any year of assessment, a local authority occupy any land and any tax for that year under Schedule A in respect thereof is, or apart from the said Rules would be, ultimately borne by them, there shall be deemed for the purposes of those Rules to be available to them for that year for the payment of any sums to which those Rules apply which fall to be paid by them an amount equal to the net amount on which tax is or would be borne by them as aforesaid.
- (3) Where any sum—
 - (a) has been or is to be reimbursed to a local authority by the Crown or by any other person; or
 - (b) is taken into account in computing deficiency which the Crown or any other person is under a legal obligation to make good to a local authority; or
 - (c) is charged to capital,

profits or gains which, apart from the provisions of this section, would not have been treated as available for the payment of that sum shall not be so treated by virtue of this section:

Provided that where any sum taken into account in computing such a deficiency as aforesaid exceeds the amount of the deficiency, this subsection shall not prevent profits or gains from being treated as available for the payment of the excess.

- (4) In this section, the expression " local authority "—
 - (a) in relation to England, means any authority being, within the meaning of the Local Loans Act, 1875, an authority having power to levy a rate, and includes any joint board or joint committee all the constituent members of which are such authorities as aforesaid;
 - (b) in relation to Scotland, means any county council, town council, or district council, or any other authority within the meaning of the Local Authorities Loans (Scotland) Act, 1891, and includes any joint board or joint committee which is appointed under any enactment, order or scheme, and of which all the constituent authorities are such local authorities as aforesaid; and
 - (c) in relation to Northern Ireland, means the council of any county, county or other borough, urban or rural district, a board of guardians, the commissioners of a town, an education authority, and any committee or board appointed

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wholly or partly by a county or district council or board of guardians, or by several such councils or boards jointly:

Provided that, for the purposes of this section the Mayor and commonalty and citizens of the City of London and the Common Council of the City of London shall be deemed to be one local authority.

- (5) The preceding provisions of this section shall have effect as respects the year 1944-45 and all subsequent years of assessment.
- (6) Rule 6 of the Miscellaneous Rules applicable to Schedule D (which provides for charging the proper officer with the tax payable on any interest of money charged on any rates or assessments not chargeable as profits) is hereby repealed.

22 Amendments as to carrying forward of losses.

- (1) Section thirty-three of the Finance Act, 1926 (which authorises the carrying forward of losses sustained by a person in any trade, profession or vocation, and the deduction or setting off of those losses from or against the amount of profits or gains on which he is assessed under Schedule D in respect of that trade, profession or vocation for the six following years of assessment), and any other enactment extending, amending or applying the said section thirty-three, shall, in its application to any case in which the six following years of assessment include any of the relevant years as hereinafter defined, have effect, and be deemed always to have had effect, as if for any reference to the six following years there were substituted a reference to those six years plus such number of the years of assessment immediately succeeding those six years as is equal to the number of the relevant years which are subsequent to the year in which the loss was sustained.

For the purposes of this subsection, the relevant years are the year 1939-40 and every subsequent year of assessment up to and including the year 1945-46.

- (2) Where, in any year of assessment, relief cannot be given, or cannot be wholly given, in respect of a loss carried forward under the said section thirty-three because the amount of the profits or gains of the trade assessed under Case I of Schedule D for that year is insufficient, any interest or dividends on investments arising in that year, being interest or dividends which would fall to be taken into account as trading receipts in computing the profits or gains of the trade for the purpose of assessment under that Case but for the fact that they have been subjected to tax under other provisions of the Income Tax Acts, shall be treated for the purposes of the application of the said section thirty-three as if they were profits or gains on which the person carrying on the trade was assessed under the said Case I in respect of that trade for that year of assessment, and relief shall be given accordingly by repayment or otherwise:

Provided that, for the purpose of determining whether any, and, if so, what, relief can be given under this subsection for any year of assessment, the loss which may be carried forward under the said section thirty-three shall be computed in the case of life assurance business or capital redemption business (as defined for the purposes of section twenty-seven of the Finance Act, 1938) as if it were being computed for the purpose of setting it off against the profits of another business carried on by the same person.

- (3) Any dispute as to whether any, and, if so, what, relief can be given under the last preceding subsection for any year of assessment shall be heard; and determined by the Commissioners concerned in like manner as in the case of an appeal against an

assessment under Case I of Schedule D in respect of the trade in question, and the provisions of the Income Tax Acts relating to the statement of a case for the opinion of the High Court on a point of law shall apply.

23 War gratuities.

War gratuities paid in respect of service in connection with the present war either—

- (a) under any Order in Council, Royal Warrant, King's Order, Army Order or Air Ministry Order to members of the armed forces of the Crown or any of the women specified in the First Schedule to the Disabled Persons (Employment) Act, 1944; or
- (b) under arrangements certified by the Treasury to be arrangements providing similar benefits to members of the armed forces of the Crown raised outside the United Kingdom to whom paragraph (a) of this section does not apply or to women employed in or in connection with any such armed forces; or
- (c) under arrangements certified by the Treasury to be arrangements providing similar benefits to—
 - (i) special constables appointed under the Special Constables Act, 1831, or section one hundred and ninety-six of the Municipal Corporations Act, 1882, or under section ninety-six of the Burgh Police (Scotland) Act, 1892, as amended or extended by any subsequent enactment or any similar provision contained in a local Act, or members of the Police War Reserve, the Women's Auxiliary Police Corps or the Police Auxiliary Messenger Service; or
 - (ii) members of the National Fire Service, the Auxiliary Fire Service or the fire brigade of a local authority; or
 - (iii) members of the Civil Defence Reserve or the civil defence ambulance, decontamination, first aid party, first aid post, messenger, report and control, rescue or wardens' services; or
 - (iv) members of the fireguard service; or
 - (v) members of the Royal Observer Corps; or
 - (vi) members of the Auxiliary Coastguard; or
 - (vii) persons in Northern Ireland similar to any of the persons specified in any of the preceding sub-paragraphs; or
 - (viii) ; employees of the Navy, Army and Air Force Institutes serving with the Royal Navy or in the Royal Army Service Corps Expeditionary Force Institutes or in the Auxiliary Territorial Service Expeditionary Force Institutes; or
 - (ix) employees of the War Organisation of the British Red Cross Society and Order of St. John of Jerusalem certified by the Treasury to be employed on conditions of service analogous to those of any of the persons specified in any of the preceding sub-paragraphs,

shall not be regarded as income for any of the purposes of the Income Tax Acts for any year of assessment, including a year of assessment before the year 1945-46.

24 Treatment of certain payments made under redundancy schemes.

- (1) Subject to the provisions of this section, where under any scheme which is for the time being certified or has at any time been certified by the Board of Trade under section twenty-five of the Finance Act, 1935 (which provides for the deduction, in computing

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the profits or gains of a trade, of contributions paid under redundancy schemes which are certified under that section), any payment is made, on or after the sixth day of April, nineteen hundred and forty-five, to a person carrying on a trade to which the scheme relates, that payment shall be treated for the purposes of the Income Tax Acts as a trading receipt of the trade and shall accordingly be taken into account in computing the profits or gains of the trade for those purposes.

- (2) Where it is shown in accordance with the provisions of Part II of the Fourth Schedule to this Act that the payments which, on or after the said date, have been made under such a scheme in respect of a trade, have been made wholly or partly in respect of damage in respect of which no relief may be given under the Income Tax Acts, then, subject to and in accordance with the provisions of that Schedule, relief shall be given in respect of those payments by reducing the amounts which are to be treated as trading receipts of the trade under the preceding subsection, but, where such relief is given, the said section twenty-five shall, in relation to contributions subsequently paid under the scheme in respect of the trade, have effect subject to the modifications specified in Part III of that Schedule.
- (3) The provisions of this section and of the said Schedule shall apply in relation to any payment made to a person who has ceased to carry on a trade to which any such scheme as aforesaid relates as they apply in relation to payments made to a person carrying on such a trade, subject to the modification that so much of that payment as falls to be treated as a trading receipt by virtue of the said provisions shall be deemed for the purposes of those provisions to have been made to him on the last day on which he was engaged in carrying on the trade.
- (4) In determining, for the purposes of this section and of the said Schedule—
 - (a) whether any trade has ceased to be carried on; or
 - (b) whether any contribution is paid in respect of a trade in respect of which a payment has been made; or
 - (c) whether any payment is made in respect of a trade in respect of which a contribution has been paid,
 no regard shall be had to any event which, by virtue of any of the provisions of Rule 11 of the Rules applicable to Cases I and II of Schedule D, is to be treated as effecting a discontinuance of a trade.
- (5) In this section and in the said Schedule, the expression " payment " does not include a payment made by way of repayment of contributions.

25 Effect of cancellation of certificates granted under Finance Act, 1935, s. 25.

- (1) Where any certificate granted with respect to a scheme under section twenty-five of the Finance Act, 1935, is cancelled by the Board of Trade after the passing of this Act, and any deductible contributions paid in furtherance of the scheme have not been repaid at the expiration of one year from the cancellation, the body of persons carrying out the scheme shall, for the year of assessment in which the said year expires, be charged to income tax under Case VI of Schedule D upon the aggregate amount of the deductible contributions which have not been repaid at that time:

Provided that the charge shall not be made if the total amount of any contributions, other than deductible contributions, which have been paid under the scheme and have not been repaid before that time is greater than the available resources of the scheme, and shall not in any case be made upon an amount greater than the excess, if any, of those resources over that total amount.

In this subsection the expression " available resources ", in relation to any scheme, means a sum representing the total funds held for the purposes of the scheme at the expiration of one year from the cancellation of the certificate plus a sum representing any funds held for the purposes of the scheme which, during that year, have been applied otherwise than in accordance with the provisions of the scheme as in force when the certificate was granted.

- (2) Where the body of persons carrying out a scheme are charged to income tax by virtue of the preceding subsection, and, after the expiration of the said year, any deductible contribution paid in furtherance of the scheme is repaid, the amount upon which the charge is made shall be reduced by the amount repaid, and all such repayments of tax shall be made as are necessary to give effect to the provisions of this subsection.
- (3) In this section, the expression " contribution " includes a part of a contribution, and the expression " deductible contribution " means a contribution allowed to be deducted under the said section twenty-five, any reduction thereof under Part III of the Fourth Schedule to this Act being left out of account.
- (4) Subsection (5) of the said section twenty-five (which relates to the order in which contributions are to be deemed to be repaid) shall have effect for the purposes of this section as it has effect for the purposes of that section.

26 Statutory redundancy schemes.

- (1) The following provisions, that is to say—
 - (a) subsections (4) and (5) of section twenty-five of the Finance Act, 1935 (which provide, in relation to schemes certified under that section, that deductions made for contributions shall be treated as unauthorised deductions if the contributions are repaid); and
 - (b) the two last preceding sections of this Act and the Fourth Schedule to this Act, shall, subject to the adaptations specified in subsection (2) of this section, apply in relation to a statutory redundancy scheme as they apply in relation to a scheme certified under the said section twenty-five.
- (2) The said adaptations are as follows, that is to say—
 - (a) for any reference to a contribution allowed to be deducted under the said section twenty-five there shall be substituted a reference to a contribution allowed to be deducted under any of the provisions of the Income Tax Acts;
 - (b) any provision that the said section twenty-five shall, in relation to contributions, have effect subject to modifications, shall be construed as a provision that so much of the Income Tax Acts as authorises the deduction of contributions shall, in relation to the contributions in question, have effect subject to the modifications in question;
 - (c) for any reference to the cancellation of a certificate with respect to a scheme there shall be substituted a reference to the scheme ceasing to have effect; and
 - (d) for any reference to the provisions of the scheme as in force when the certificate was granted there shall be substituted a reference to the provisions of the scheme as in force when contributions were first paid thereunder.
- (3) In this section the expression " a statutory redundancy scheme " means a scheme for the elimination or reduction of redundant works, machinery or plant, or for other similar

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purposes, to which effect is given by or under any Act (whether passed before or after this Act).

27 Adjustment of liability to income tax consequential on adjustments of excess profits tax or the national defence contribution.

- (1) Where any adjustment is made of the liability of any person to excess profits tax or the national defence contribution, any consequential adjustment of the liability of that or any other person to income tax (including surtax) for any year of assessment may be made, whether by way of additional assessment, repayment of tax or otherwise, notwithstanding that the time limited by the Income Tax Acts for the making of assessments or claims for repayment of tax has expired.
- (2) Section forty-one of the Finance Act, 1927 (which contains provisions with respect to the making and determination of claims) shall apply in relation to claims for relief from income tax (other than surtax) consequential on any adjustment as respects excess profits tax or the national defence contribution as it applies in relation to claims for deductions of tax under section forty of that Act:

Provided that any such claim to which objection is made shall, if the claimant so elects when he makes the claim, be heard and determined by the Special Commissioners, and subsection (2) of the said section forty-one shall have effect accordingly.

28 Incorrect returns.

If a person delivers to any surveyor a list, declaration or statement on a form prepared for the purpose by direction of the Commissioners of Inland Revenue, he shall be deemed for the purposes of section one hundred and seven of the Income Tax Act, 1918 (which, amongst other things, provides a penalty for certain incorrect returns) to have been required by a particular notice under the Income Tax Acts to prepare and deliver that list, declaration or statement, and the time limited for the delivery thereof shall be deemed for the purposes of the said section to have expired on the date of its delivery to the said surveyor.

PART III

EXCESS PROFITS TAX AND THE NATIONAL DEFENCE CONTRIBUTION.

29 Reduction of rate of excess profits tax.

- (1) Subsection (1) of section twenty-six of the Finance Act, 1940 (which raises the rate of excess profits tax from sixty per cent. to one hundred per cent. as from the beginning of April, nineteen hundred and forty) shall not apply to any chargeable accounting period beginning on or after the first day of January, nineteen hundred and forty-six.
- (2) For subsection (2) of the said section twenty-six (which contains provisions for securing that deficiencies occurring after the end of March, nineteen hundred and forty, shall, so far as possible, be applied to reduce profits arising after the said end of March and that deficiencies occurring before the said end of March shall so far as possible, be applied to reduce profits arising before the said end of March) there shall be substituted the following subsection—

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“(2) Notwithstanding anything in subsection (2) of section fifteen of the said Act, a deficiency of profits occurring in a chargeable accounting period to which subsection (1) of this section applies shall first be applied so as to reduce profits chargeable to tax arising in another chargeable accounting period to which the said subsection (1) applies, and a deficiency of profits occurring in a chargeable accounting period to which the said subsection (1) does not apply shall first be applied so as to reduce profits chargeable to tax arising in another chargeable accounting period to which the said subsection (1) does not apply; and where owing to an insufficiency of profits against which the deficiency can be set off for chargeable accounting periods to which the said subsection (1) applies or, as the case may be, does not apply, the whole or any part of a deficiency is applied otherwise than as aforesaid—

- (a) the application shall, either wholly or to such extent as the Commissioners think appropriate, be treated as provisional only; and
- (b) if it thereafter appears that there is no longer such an insufficiency as aforesaid, such adjustments shall be made as the Commissioners may direct”;

and, in paragraph 1 of the Fourth Schedule to the Finance Act, 1941, the words ' (which contains provisions for securing that deficiencies occurring after the end of March, nineteen hundred and forty, shall, so far as possible, be applied to reduce profits arising after the said end of March and deficiencies occurring before the said end of March shall, so far as possible, be applied to reduce profits arising before the said end of March) ' shall be omitted.

- (3) Any excess profits or deficiency of profits occurring for a chargeable accounting period falling partly before and partly after the end of the year nineteen hundred and forty-five shall be apportioned between the part of the period before and the part of the period after the end of the said year, and for the purpose of determining the rate at which excess profits tax is to be charged on any excess profits and of giving relief for deficiencies of profits under the enactments relating to excess profits tax, and for the purposes of section twenty-eight of the Finance Act, 1941, each of the two parts of the period shall be treated as if it were a separate chargeable accounting period.

In this subsection, the expression " excess profits " means the amount by which the profits for any period exceed the standard profits therefor, and any apportionment required to be made by this subsection shall be made by reference to the number of months or fractions of months in each of the parts of the whole period.

- (4) In subsection (4) of section thirty-four of the Finance Act, 1941 (which section relates to the recovery from directors and other persons of expenses for fees or other payments for services disallowed for excess profits tax purposes) for the words " shall be treated as reduced by the sum recovered " there shall be substituted the words " shall be treated as reduced, in the case of the profits, by an amount excess profits tax on which is equal to the sum recovered and, in the case of the liability to excess profits tax, by the sum recovered. "
- (5) The enactments relating to excess profits tax shall be deemed always to have had effect as amended by this section.

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30 Relief not to be given for deficiencies of profits occurring after end of 1946.

- (1) No relief shall be given in respect of any deficiency of profits occurring in any chargeable accounting period beginning on or after the first day of January, nineteen hundred and forty-seven.
- (2) Any deficiency of profits occurring in a chargeable accounting period falling partly before and partly after the end of the year nineteen hundred and forty-six shall be apportioned between the part of the period before and the part of the period after the end of the said year, and each of the two parts of the period shall be treated for the purpose of relief for deficiencies of profits as if it were a separate chargeable accounting period.
- (3) Notwithstanding anything, in the preceding provisions of this section, a deficiency of profits occurring in any chargeable accounting period in the case of a trade or business carried on by a member of a group of companies may be applied in reducing either—
 - (a) the profits arising to another member of the group in a chargeable accounting period coterminous with, or falling wholly within, that chargeable accounting period; or
 - (b) so much of the profits arising to another member of the group in a chargeable accounting period part of which falls in that chargeable accounting period as is apportionable to that part.

Expressions used in this subsection have the same meanings as they have in the Fifth Schedule to the Finance Act, 1940 (which relates to groups of companies).

- (4) Any apportionment required to be made by this section of any profits or deficiency of profits for any period shall be made by reference to the number of months or fractions of months in each of the parts of that period.

31 Extension of relief for deficiencies of profits where a trader acquires or commences a new trade or partly discontinues a trade.

- (1) The provisions of this section shall have effect where either of the following events occurs in relation to a person carrying on a trade or business (hereinafter referred to as "the original trade or business"), that is to say—
 - (a) that, while continuing to carry on the whole or some part of the original trade or business, or upon ceasing to carry on the original trade or business, he acquires or commences another trade or business; or
 - (b) that he ceases to carry on part of the original trade or business.
- (2) If, in the opinion of the Commissioners of Inland Revenue, the trade or business carried on by that person immediately after the event (hereinafter referred to as "the second trade or business") is not substantially different in its nature from the original trade or business, the second trade or business shall, if he makes application to the Commissioners for that purpose, be deemed for the purposes of subsection (2) of section fifteen of the Finance (No.2) Act, 1939 (which provides for granting relief from excess profits tax in respect of deficiencies of profits) to be a continuation of the original trade or business.
- (3) If, in the opinion of the Commissioners, the second trade or business is substantially but not wholly different in its nature from the original trade or business and—
 - (a) a final deficiency of profits occurs in either trade or business; and

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- (b) the said person is chargeable to excess profits tax in respect of any profits of the other trade or business, after account has been taken of all such relief as can, apart from the provisions of this and the two next following sections, be given in respect of deficiencies of profits; and
 - (c) the said person applies to the Commissioners for relief under this subsection, the profits in respect of which he is so chargeable shall, for the purposes of excess profits tax, be deemed to be reduced by so much of the final deficiency as the Commissioners think just, having regard to the extent to which that deficiency and those profits are respectively attributable to so much of one trade or business as is of the same nature as the whole or some part of the other trade or business.
- (4) Where any application is made under this section, the second trade or business shall, for the purposes of subsection (1) of section eighteen of the Finance (No. 2) Act, 1939, and of paragraph 2 of Part II of the Seventh Schedule to that Act (which contain provisions with respect to the effect of the grant of relief in respect of deficiencies of profits), be treated as a continuation of the original trade or business, and any relief given under this section shall be treated as having been given in respect of a deficiency of profits occurring in such chargeable accounting period or periods as the Commissioners may determine.
- (5) Any relief falling to be given under this section shall be given by repayment or otherwise.
- (6) The enactments relating to excess profits tax shall be deemed always to have had effect as amended by this section.

32 Extension of relief for deficiencies of profits in the case of certain amalgamations.

- (1) The provisions of this section shall have effect where either of the following events occurs in relation to two or more trades or businesses (hereinafter referred to as "the constituent concerns"), that is to say—
- (a) that the constituent concerns are acquired by a partnership which has not previously carried on any trade or business, and the persons by whom the constituent concerns were carried on immediately before the acquisition are, at the time of the acquisition, all members of the partnership; or
 - (b) that the constituent concerns are acquired by a company which has not previously carried on any trade or business, and at the time of the acquisition the said persons together beneficially own more than one half of the ordinary share capital of the company.
- (2) Subject to the provisions of this section, if—
- (a) throughout any chargeable accounting period of the trade or business carried on by the partnership or the company, any of the said persons is a member of the partnership or the beneficial owner of ordinary share capital of the company; and
 - (b) a final deficiency of profits occurs, in relation to that chargeable accounting period, in the trade or business carried on by the partnership or the company; and
 - (c) that person is chargeable to excess profits tax in respect of the profits of the constituent concern carried on by him, after account has been taken of all such relief as can, apart from the provisions of the last preceding section, this

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section and the next following section, be given in respect of deficiencies of profits; and

- (d) that person applies to the Commissioners of Inland Revenue for relief under this section,

the profits in respect of which he is so chargeable shall, for the purposes of excess profits tax, be deemed to be reduced by so much of the final deficiency as the Commissioners think just, having regard to the said person's interest in the partnership or the company.

- (3) Subject to the provisions of this section, if—

- (a) throughout any chargeable accounting period of the trade or business carried on by the partnership or the company, any of the said persons is a member of the partnership or the beneficial owner of ordinary share capital of the company; and
- (b) a final deficiency of profits has occurred in the constituent concern carried on by that person; and
- (c) the profits of the partnership or the company in that chargeable accounting period are, after account has been taken of all such relief as can, apart from the provisions of the last preceding section, this section and the next following section, be given in respect of deficiencies of profits, chargeable to excess profits tax; and
- (d) the partnership or the company apply to the Commissioners of Inland Revenue for relief under this section,

the final deficiency shall be applied in reducing, for the purposes of excess profits tax, the profits of the partnership or company in that chargeable accounting period to such extent as the Commissioners think just, having regard to the said person's interest in the partnership or the company.

- (4) Any relief falling to be given under this section shall be given by repayment or otherwise, and where that relief is relief from excess profits tax chargeable in respect of the profits of a constituent concern, and is given by repayment, the Commissioners shall take into account any increased sums which would have fallen to be paid in respect of income tax (including surtax) by the person who carried on that concern if the amount repayable apart from this subsection had been profits or gains of a trade carried on by him and as such had been chargeable to income tax (including surtax) for the year of assessment which includes the last day of the chargeable accounting period in which the deficiency in respect of which relief is to be given occurred, and shall reduce the amount of the relief accordingly.
- (5) Where one of the constituent concerns was, immediately before the acquisition, carried on by a partnership, the preceding provisions of this section shall have effect in relation to that concern subject to the following modifications—
- (a) a member of that partnership shall be entitled to relief under this section in respect of so much only of any excess profits' tax chargeable in respect of the profits of the partnership's trade or business as is appropriate having regard to his interest in the partnership; and
- (b) where a final deficiency of profits has occurred in the trade or- business carried on by that partnership, then, for the purposes of this section, there shall be attributed to each member of the partnership so much only of that final deficiency as is appropriate having regard to his interest in the partnership.

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- (6) The question whether any and if so what final deficiency of profits has occurred in relation to any chargeable accounting period shall be determined for the purposes of this section by the Commissioners.
- (7) The enactments relating to excess profits tax shall be deemed always to have had effect as amended by this section.

33 Supplementary provisions as to relief for deficiencies of profits.

- (1) Any person aggrieved by a determination of the Commissioners of Inland Revenue on an application under the provisions of the last two preceding sections may appeal to the Board of Referees.
- (2) Where an application has been made to the commissioners for relief, under the provisions of the last two preceding sections, the Commissioners may, pending an ascertainment whether relief falls to be given on the application, if they are satisfied that the circumstances are such that it is likely that relief will fall to be given thereon, grant such relief as they think fit, but any relief so granted shall be provisional only, and shall be subject to adjustment from time to time as the Commissioners may direct, and shall be finally adjusted when it is ascertained whether any and if so what relief falls to be given upon the application.
- (3) In the last two preceding sections the expression " final deficiency of profits " means, when used in relation to a particular chargeable accounting period, so much of any deficiency of profits which has occurred in that chargeable accounting period in relation to the trade or business in question as cannot be applied in reducing profits under the provisions of subsection (2) of section, fifteen of the Finance (No. 2) Act, 1939, or of sub-paragraph (2) of paragraph 6 of Part IV of the Fifth Schedule to the Finance Act, 1940, and, save as aforesaid, means the aggregate amount of all deficiencies of profits which have occurred in the trade or business in question in all chargeable accounting periods ending on or before the thirty-first day of December, nineteen hundred and forty-six, minus so much of those deficiencies as, under the said provisions, has been or can be applied in reducing profits.
- (4) Subsection (2) of section twenty-six of the Finance Act, 1940, subsection (4) of section thirty-two of the Finance Act, 1944, and subsection (3) of section five of the Finance Act, 1945 (which relate to the order in which deficiencies of profits are to be applied) and the first two sections of this Part of this Act shall have effect with respect to the grant of relief under the provisions of the last two preceding sections as they have effect with respect to the grant of relief under section fifteen of the Finance (No. 2) Act, 1939.
- (5) Where two or more applications are made under the provisions of the last two preceding sections in respect of the same deficiency of profits, the applications shall be treated as numbered in the order in which the events giving rise to the applications respectively occurred, and so much only of the deficiency as remains after the first application has been disposed of shall be available for the granting of relief on the second application, and so on.
- (6) Where two or more events occur which, under the provisions of the last two preceding sections, entitle a person to relief in respect of the same profits, any applications for relief in respect of those events shall be treated as numbered in the order in which the events giving rise to the applications respectively occurred, and for the purpose of the

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second application, the profits in respect of which relief is claimed shall be treated as being such only as remain after the first application has been disposed of, and so on.

34 Treatment of certain contributions and other payments made under redundancy schemes.

- (1) Notwithstanding anything in the enactments relating to the computation of profits for the purposes of excess profits tax and the national defence contribution, where, on or after the first day of January, nineteen hundred and forty-five, the Board of Trade certify a scheme under section twenty-five of the Finance Act, 1935 (which provides for the deduction in computing the profits or gains of a trade of contributions paid under schemes which are certified under that section), then, in computing the profits arising from any trade or business for the purposes of excess profits tax or the national defence contribution—
 - (a) no contribution paid in furtherance of the scheme shall be allowed to be deducted; and
 - (b) no payment made under the scheme shall be taken into account as a trading receipt.
- (2) This section- shall apply in relation to schemes for the elimination or reduction of redundant works, machinery or plant, or for other similar purposes, to which effect is given by or under any Act (whether passed before or after this Act) as it applies in relation to schemes certified by the Board of Trade under the said section twenty-five on or after the first day of January, nineteen hundred and forty-five.
- (3) The enactments relating to excess profits tax and the national defence contribution shall be deemed always to have had effect as amended by this section.

35 Extension of time for making assessments to excess profits tax and the national defence contribution, and relief in cases of error or mistake.

- (1) So much of any provision of the enactments relating to excess profits tax and the national defence contribution as limits the time for the making of assessments to six years from the end of the chargeable accounting period in respect of which the assessment is made shall not have effect, and such assessments may be made at any time, as the case may require, unless and until Parliament otherwise determines.
- (2) The provisions of section twenty-four of the Finance Act, 1923 (which provide for relief from income tax in respect of errors or mistakes in returns or statements made for the purposes of tax under Schedule D) shall, as set out with adaptations in the Fifth Schedule to this Act, apply in relation to assessments to excess profits tax or to the national defence contribution.

36 Research expenditure.

The provisions of Part IV of the Finance Act, 1944 (which provide for allowances for income tax purposes in respect of expenditure incurred on scientific research in connection with any trade) shall not apply for the purposes of excess profits tax or the national defence contribution,

37 Application of certain provisions as to losses to the national defence contribution.

The provisions of subsection (1) of section twenty-two of this Act extending, in certain cases, the period for the carrying forward of losses shall have effect for the purposes of sub-paragraph (1) of paragraph 2 of the Fourth Schedule to the Finance Act, 1937 (which relates to the carrying forward of losses for the purposes of the national defence contribution) as well as for the purposes of income tax.

PART IV

EXCESS PROFITS TAX POST-WAR REFUNDS.

Date of payment.

38 Time for repayment of post-war refunds.

Subject to the provisions of this Part of this Act, the sums payable under subsection (1) of section twenty-eight of the Finance Act, 1941, as amended by section thirty-seven of the Finance Act, 1942 (hereafter in this Part of this Act referred to as " post-war refunds ") shall be paid as soon as may be after the final ascertainment and satisfaction of the total liability of the person in question to excess profits tax and the national defence contribution for all relevant chargeable accounting periods:

Provided that, if the Commissioners of Inland Revenue think fit and the requirements of the four next following sections are complied with, they may, before the final ascertainment and satisfaction of the said total liability, make payments on account of any post-war refund which, in their opinion, is likely to be found due.

Conditions for payment.

39 Refunds to be used for purposes of trade or business.

- (1) No post-war refund shall be made to any person unless such undertakings and authorities are given as are specified in the next following section, being undertakings and authorities in connection with the use of the net amount of the refund for the purposes of a specified trade or business, being such-a trade or business as is mentioned in subsection (2) of this section:

Provided that undertakings and authorities may be given as aforesaid in connection with the use of part only of the said amount and shall, if so given, operate to authorise the payment of-a corresponding part of the refund, and references in this and the three next folio wing, sections to the refund and the net amount of the refund shall be construed accordingly.

- (2) A trade or business may be specified under subsection (1) of this section if it is either—
- (a) the original trade or business; or
 - (b) a trade or business carried on or to be carried on by the person who carried on the original trade or business in the relevant chargeable accounting periods, or, where that person is an individual, by him or by a relative of his; or

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- (c) a trade or business in which the said person, or, where the said person is an individual, he or a relative of his, has or is to have an interest which is substantial in relation to the size of the trade or business:

Provided that in considering whether the interest of a person in a trade or business is substantial, any interest acquired by or for him in consideration of the making over, to the persons who are carrying on or are to carry on that trade or business, of the whole or any part of the post-war refund in question shall be left out of account.

In this subsection, the expression " a relative " means, in relation to a person, that person's husband or wife, or a son, daughter, brother or sister of that person or of that person's husband or wife or deceased husband or deceased wife, and for the purposes of this definition the expressions " son " and " daughter " include an adopted son or adopted daughter (whether adopted under the Adoption of Children Act, 1926, or under the Adoption of Children (Scotland) Act, 1930, or otherwise) and an illegitimate son or illegitimate daughter, and the expressions " brother " and " sister " include a half-brother or half-sister.

- (3) A trade or business shall be treated for the purposes of this and the three next following sections as continuing to be the same trade or business notwithstanding, any change in the persons carrying it on.

40 Undertakings and authorities which must be given.

- (1) Where the trade or business specified under subsection (1) of the last preceding section is or is to be carried on by the person to whom the post-war refund is paid, and is not, or, as the case may be, is not to be, carried on by him in partnership with any other person, the undertakings shall comprise an undertaking by him that—
- (a) the net amount of the refund will be used in developing or re-equipping the trade or business and, until so used, will be so dealt with as to remain available, for use, when required, in developing or re-equipping of the trade or business; and
 - (b) without prejudice to the generality of the preceding provision, any part of the said net amount which is not so used shall not be directly or indirectly distributed by way of dividend or cash bonus or capitalized for the purpose of issuing bonus shares or debentures or releasing any liability for uncalled share capital or applied, whether by way of remuneration, drawings, loans or otherwise, for the benefit of partners, shareholders or proprietors.
- (2) In any other case, the undertakings shall comprise—
- (a) an undertaking by the person to whom the post-war refund is paid that the net amount of the refund will be made over to the person carrying on the specified trade or business; and
 - (b) such undertakings as are mentioned in the preceding subsection by the person to whom the said net amount is to be made over.
- (3) Where any such undertakings are given, every person who gives any of the undertakings shall, in "addition—
- (a) give an undertaking to furnish, on the demand of the Treasury, or the advisory panel or referee hereinafter mentioned, to any person authorised by the Treasury, the said panel or the said referee, as the case may be, such accounts or other information as may be specified in the demand, being accounts or

information required for the purpose of establishing how the said net amount has been dealt with;

- (b) give to the Commissioners of Inland Revenue an authority (which shall be irrevocable) to disclose for the said purpose any documents or other information in their possession to the Treasury or the said panel or the said referee or any person authorised by them as aforesaid respectively.
- (4) Any undertaking or authority given under any of the preceding provisions of this section by the persons carrying on a trade or business shall be in writing, shall be in such form as may be prescribed by the Treasury and shall, by virtue of this section, be binding on all persons who, at any time within the five years next following the date of the giving of the undertaking, carry on that trade or business either alone or in partnership with any other person.

41 Effect of breach of undertakings, etc..

- (1) Subject to the provisions of the next following section, if—
- (a) the whole or any part of the said net amount, is dealt with by any person in breach of an undertaking given by him or which, by virtue of the last preceding section is binding upon him; or
 - (b) any breach is committed by any person of an under taking given by him, or binding on him as aforesaid, to produce documents or information required to be produced in connection with the whole or any part of the said net amount; or
 - (c) the trade or business specified in any such under taking as aforesaid is permanently discontinued within the five years next following the date of the giving of the undertaking, and, at the date of the discontinuance, the whole or any part of the said net amount has not been used for developing or re-equipping the trade or business,

the said net amount or that part thereof, as the case may be, shall be recoverable from the person who committed the breach of the undertaking or, as the case may be, the person who was carrying on the trade or business immediately before the discontinuance thereof, as a debt due to the Crown:

Provided that no sum shall be recoverable under this subsection by reason of the permanent discontinuance of the trade or business if the like undertakings and authorities are given and approved in connection with the use of that sum as would be required to be given and approved if that sum were the net amount of a post-war refund in respect of the original trade or business payable to the person who was carrying on the specified trade or business immediately before the discontinuance, and the preceding provisions of this Part of this Act, and of the next following section shall, with the necessary adaptations, have effect accordingly in relation to those undertakings and authorities, so, however, that the references in the said provisions to the five years next following the date of the giving of the undertaking shall be construed as references to the five years next following the date of the giving of the undertaking given in connection with the original refund.

- (2) Subject to the provisions of this subsection, where any sum becomes recoverable under this section from any body corporate by reason of the breach of any undertaking given by or binding on that body corporate, the body corporate and every person who, when the breach was committed, was, or was purporting to act as, a director of the body corporate, shall be jointly and severally liable to the Crown for that sum:

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Provided that no person shall be under any liability under this subsection by reason that he was or purported to act as a director of a body corporate, if he proves that the breach in question was committed without his knowledge or against his will and that, in either case, he exercised all due diligence to prevent the commission of the breach.

42 Establishment and duties of advisory panel and referee.

- (1) The Treasury may appoint—
 - (a) an advisory panel consisting of such persons as the Treasury think fit; and
 - (b) a referee,to exercise such functions as are specified in this section in relation to them respectively.
- (2) Where—
 - (a) the whole or any part of the net amount of a refund is not to be paid to the person who carried on the original trade or business in the relevant chargeable accounting periods, or is not to be used for the purposes of the original trade or business; or
 - (b) there has, since the end of the relevant chargeable accounting periods, been any change in the persons by whom the original trade or business is carried on,no refund shall be paid unless the undertakings and authorities required in relation to the payment thereof under the preceding provisions of this Part of this Act are approved by the advisory panel, and, without prejudice to the generality of the preceding provision, the panel shall not, where the said net amount is, under the undertakings, to be made over to any other person by the person to whom the refund is made, approve the undertakings and authorities unless they are satisfied that the terms on which the amount is to be made over are proper having regard to the provisions of this Part of this Act.
- (3) It shall be the duty of the advisory panel, in such cases and at such times as they think fit, to enquire how the net amount of any post-war refund has been dealt with, and, if, in the opinion of the panel, any part of the said net amount has, under the last preceding section, become due to the Crown, to report to the Treasury accordingly, and no sum shall be so recoverable unless the panel have so reported in respect thereof.
- (4) Any person aggrieved by any refusal of the panel to approve any undertakings and authorities or by any report of the panel under this section may, within such time and in such manner as the Treasury may prescribe, appeal to the referee.
- (5) On any such appeal the referee shall— give to the appellant and to the Treasury an opportunity of being heard, and shall hear such evidence, on oath or otherwise, as the appellant and the Treasury desire to put before him, and shall, after such further inquiry, if any, as he thinks fit, decide the question, and his decision on any matters arising on the appeal shall be final and conclusive for all purposes:

Provided that where proceedings are brought in any court for the recovery of any sum from a person on the ground that, when a breach of an undertaking was committed by a body corporate, he was or purported to act as a director of that body corporate, nothing in this subsection shall preclude that person from contending in those proceedings that the breach was committed without his knowledge or against his will and that he exercised all due diligence to prevent the commission of the breach.

Income Tax.

43 Income tax on post-war refunds.

Subject to the provisions of the two next following sections, income tax shall be charged for the year 1946-47 on all sums paid as, or on account of, post-war refunds, whenever those sums are paid, and shall be so charged by deduction of tax at the standard rate for that year, and any sums so paid shall be deemed to be income for all the purposes of the Income Tax Acts.

44 Option to spread refunds backwards for income tax purposes.

- (1) Where a post-war refund is paid to an individual, and in the relevant chargeable accounting periods that individual carried on the original trade or business either atone or in partnership with any other person, he may claim that the income tax (including surtax) payable by him by reason of the receipt of the refund shall be reduced to such extent as may be just having regard to the total income tax (including surtax) which would have been payable by him if the amounts of refund referable to those periods had been treated for the purposes of income tax as additions to the profits or gains of the trade or business for those periods or, as the case may be, as additions to his share thereof, and charged to income tax (including surtax) accordingly.
- (2) Where the amount of income tax which would have been payable as aforesaid is affected by any allowance falling to be made under the provisions of the Income Tax Acts relating to wear and tear and the carrying forward of losses (including the provisions of section nineteen of the Finance Act, 1928) such adjustments, if any, shall be made—
 - (a) in computing the relief falling to be granted under subsection (1) of this section; and
 - (b) in computing the allowances falling to be granted under any of the said provisions of the Income Tax Acts for the year 1947-48 or any subsequent year of assessment,as are necessary to secure that the same wear and tear, loss or other amount is not taken into account so as to increase the relief under the said subsection (1) and also allowed under the said provisions of the Income Tax Acts.
- (3) References in this section to the income tax (including surtax) payable by an individual include, in cases where profits of a wife are deemed to be profits of her husband, references to the income tax (including surtax) payable by his wife or her husband, as the case may be.
- (4) A claim under this section must be made to the Commissioners of Inland Revenue not later than the fifth day of April, nineteen hundred and forty-seven, or within such further period as those Commissioners may allow, and section nineteen of the Finance Act, 1925 (which relates to the making and allowing of claims for certain reliefs and to rights of appeal) shall apply in relation to claims under this section as it applies to the claims mentioned in that section.

45 Option to have refunds treated as profits of 1947-48.

- (1) Where the net amount of any post-war refund is to be used for the purpose of a trade the profits or gains of which are assessable to tax for the year 1947-48 under Case I of Schedule D or would be so assessable if there were any profits or gains thereof for

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that year, then, if all the persons who are or would be assessable to tax as aforesaid in respect of those profits or gains for that year and the person to whom the refund is payable, by notice in writing given to the surveyor not later than the end of the year nineteen hundred and forty-eight, or within such further period as the Commissioners of Inland Revenue may allow, so elect—

- (a) in lieu of the refund being chargeable to income tax for the year 1946-47, it shall be charged to income tax for the year 1947-48 as if it were profits or gains of the trade, and shall be so charged, by means of an assessment for the year 1947-48 on the profits or gains of the trade in addition to any other assessment falling to be made thereon for that year; but
- (b) tax at the standard rate for the year 1946-47 shall nevertheless be deducted from any sum paid as, or on account of, the refund and the amount deducted shall be treated as if it had been paid by the persons chargeable under paragraph (a) of this subsection, and had been so paid by them on account of income tax in respect of the profits or gains of the trade for the year 1947-48:

Provided that this subsection shall not apply unless the persons or one or more of the persons who carried on the original trade or business in the relevant chargeable accounting periods also carry on the trade in connection with which the refund is to be used, either alone or in partnership with any other person, for the whole or any part of the year 1947-48.

- (2) If during the year 1947-48 there is any change in the persons carrying on the trade for the purposes of which the sum repaid is to be used and, by virtue of the change, the trade is, for the purposes of Rule n of the Rules applicable to Cases I and II of Schedule D, treated as discontinued, the references in subsection (1) of this section to the trade shall be construed as references to the trade carried on up to the date of the discontinuance, or, where there is more than one discontinuance in the said year, up to the first of the discontinuances.
- (3) The preceding provisions of this section shall, with the necessary adaptations, apply where the net amount of any post-war refund is to be used for the purposes of more than one trade as it applies where the net amount of a post-war refund is to be used for the purposes of one trade, so, however, that an election can only be made with respect to the whole of the refund and all persons who are or would be assessable to tax under Case I of Schedule D in respect of the profits or gains of any of the trades must be parties to the giving of the notice of the election.
- (4) No election shall be valid under this section in relation to any refund if a claim is made and allowed in relation thereto under the last preceding section.

Miscellaneous.

46 Reliefs given and repayments made after payments have been made by way of post-war refund.

- (1) Where any sum has been paid as, or on account of, a post-war refund, any relief from, or repayment of, the excess profits tax in respect of which the sum was paid, being a relief or repayment which falls to be given or made after the payment of that sum, shall be computed as if the rate of excess profits tax had, as respects all relevant chargeable accounting periods, been eighty per cent.:

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Provided that, in computing the amount of capital employed in the trade or business, the said tax shall be treated as chargeable at one hundred per cent. for all those periods.

- (2) Where—
- (a) the amount of any relief or repayment is reduced by virtue of subsection (1) of this section; and
 - (b) if the said subsection (1) had not applied and the relief or repayment had been taken into account in computing any sum paid as, or on account of, a postwar refund, that sum would have been reduced,
- any undertakings given under this Part of this Act in connection with the payment of that sum shall have effect with respect only to such reduced amount as may be just having regard to the reduction which would have been made in that sum.
- (3) References in this section to a repayment of tax do not include references to any payment of, or on account of, a post-war refund.

47 Set-off of refunds against excess profits tax.

Where after the end of the year nineteen hundred and forty-five, excess profits tax is due and payable in respect of any relevant chargeable accounting period and, if that tax were paid, a sum would (on the giving, or giving and approval, of the requisite undertakings and authorities) be payable for or on account of a post-war refund, the Commissioners may, if they think fit and if the requisite undertakings and authorities are given, or given and approved, give credit for the amount of the sum payable as afore--said, after deduction of tax at the standard rate for the year 1946-47, against the same amount of the excess profits tax which is due and payable as aforesaid, and, where credit is so given, the amount for which credit is given shall be deemed to have been paid to the Commissioners and repaid by them and the ' said undertakings and authorities shall, with the necessary modifications, have effect accordingly:

Provided that the amount deemed to have been repaid by the Commissioners shall for the purposes of income tax be treated as a payment made after deduction of tax at the standard rate for the year 1946-47.

48 Payment of refunds out of Consolidated Fund.

- (1) Such sums as are required by the Commissioners of Inland Revenue for the purpose of making payments of, or on account of, post-war refunds shall be issued to the Commissioners out of the Consolidated Fund of the United Kingdom or the growing produce thereof.
- (2) For the purpose of providing any sums to be issued under subsection (1) of this section, the Treasury may raise money in any manner in which they are authorised to raise money under the National Loans Act, 1939, and any securities created and issued to raise money under this section shall be deemed for all purposes to have been created and issued under that Act.
- (3) Notwithstanding anything in sub-paragraph (2) of paragraph 1 of Part II of the Seventh Schedule to the Finance (No. 2) Act, 1939, in computing the amount of the capital employed in a trade or business for the purposes of excess profits tax no deduction shall be made from the price of any asset on the ground that it was acquired wholly or partly out of a sum paid for or on account of a post-war refund and that that sum was, by virtue of this section, contributed but of the Consolidated Fund.

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49 Special cases.

The provisions of this Part of this Act and of section twenty-eight of the Finance Act, 1941 (as amended by any subsequent enactment) shall, in relation to partnerships, members of groups of companies and tax paid under section twenty-four of the Finance Act, 1943 (which relates to sales of stock at an under-value), have effect subject to the provisions of the Sixth Schedule to this Act.

50 Interpretation of Part IV.

- (1) In this Part of this Act and in the Sixth Schedule to this Act, the following expressions have, except so far as the context otherwise requires, the meanings hereby respectively assigned to them, that is to say—

" the original trade or business " means, in relation to a post-war refund, the trade or business, tax on the profits of which is or is to be refunded;

" relevant chargeable accounting period " means any chargeable accounting period (for the purposes of excess profits tax) beginning on or after the first day of April, nineteen hundred and forty and ending on or before the thirty-first day of December, nineteen hundred and forty-five, or any part of a chargeable accounting period, being a part beginning on or after the said first day of April and ending on or before the said thirty-first day of December, which falls to be treated for the purposes of section twenty-eight of the Finance Act, 1941, as a separate chargeable accounting period;

" net amount " means, in relation to a post-war refund, the gross amount thereof less the income tax deducted therefrom, and, where the payment is made otherwise than to a body corporate, less also any surtax ascribable to the payment of the refund, the amount of surtax so ascribable being ascertained on the basis that the refund is to be treated as the highest part of the income of the person to whom the payment is made;

"group of companies, " " the principal company " and " subsidiary member " have the meanings respectively assigned to them by subsection (1) of section twenty-eight of the Finance Act, 1940.

- (2) References in this Part of this Act to the national defence contribution for a relevant chargeable accounting period shall, where the relevant chargeable accounting period is not also a chargeable accounting period for the purposes of the national defence contribution, be taken to be references to a sum made up by apportioning and aggregating the amounts of the national defence contribution paid or payable in respect of any chargeable accounting period (as defined for the purposes of the national defence contribution) which falls wholly or partly within the relevant chargeable accounting period.

Any apportionment-required to be made by this subsection shall be made by reference to the number of months or fractions of months in the period to which the apportionment relates.

- (3) Any reference in this Part of this Act or in the Sixth Schedule to this Act to the relevant chargeable accounting periods to which a post-war refund is referable shall be construed as a reference to the relevant chargeable accounting periods in which there was extra tax, and any reference in this Part of this Act or in the said Sixth Schedule to the amount of refund which is referable to any such period shall be construed as a reference to an amount which bears to the total amount of the refund the same

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proportion as the extra tax in that period bears to the sum of the amounts of extra tax in all the periods to which the refund is referable.

For the purposes of this subsection, if the excess profits tax for any of the relevant chargeable accounting periods exceeds the national defence contribution for that period, there shall be deemed to have been extra tax for that period equal to whichever of the two following amounts is the smaller, that is to say—

- (a) twenty per cent. of the excess profits tax for the period; and
- (b) the amount by which the excess profits tax for the period exceeds the national defence contribution for the period:

Provided that, if the national defence contribution is equal to or exceeds the excess profits tax in the case of all the relevant chargeable accounting periods, there shall be deemed to have been extra tax for all the chargeable accounting periods for which there was excess profits tax, equal, in the case of each such period, to twenty per cent. of the excess profits tax for that period.

In determining for the purposes of this subsection whether there is any, and, if so, what excess profits tax for any period, any national defence contribution payable for that or any other period shall be disregarded except in computing capital and any relief for any deficiency of profits occurring in any other chargeable accounting period shall be altogether disregarded, and in determining for the said purposes whether there is any, and, if so, what national defence contribution for any period, excess profits tax shall be altogether disregarded.

- (4) Where any expenditure has been incurred on or after the first day of April, nineteen hundred and forty-five, in developing or re-equipping a trade or business, any sum used in or towards the recouping of that expenditure shall be deemed for the purposes of this Part of this Act to have been used in developing or re-equipping that trade or business and any undertakings given under this Part of this Act shall have effect accordingly.

PART V

RELIEF FROM DOUBLE TAXATION.

51 Agreements for relief from double taxation of income.

- (1) If His Majesty by Order in Council declares that arrangements specified in the Order have been made with the Government of any territory outside the United Kingdom with a view to affording relief from double taxation in relation to income tax, excess profits tax or the national defence contribution and any taxes of a similar character imposed by the laws of that territory, and that it is expedient that those arrangements should have effect, then, subject to the provisions of this Part of this Act, the arrangements shall, notwithstanding anything in any enactment, have effect in relation to income tax, excess profits tax and the national defence contribution so far as they provide for relief from tax, or for charging the income arising from sources in the United Kingdom to persons not resident in the United Kingdom, determining the income to be attributed to such persons and their agencies, branches or establishments in the United Kingdom, or determining the income to be attributed to persons resident in the United Kingdom who have special relationships with persons not so resident.

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- (2) On the making of an Order in Council under this section with respect to any arrangements relating to a Dominion as defined for the purposes of section twenty-seven of the Finance Act, 1920 (which provides for relief in respect of Dominion income tax), the said section twenty-seven shall cease to have effect as respects that Dominion except in so far as the arrangements otherwise provide.
- (3) Where any arrangements having effect by virtue of this section relate to any territory with respect to which an Order in Council is in force under section thirty of the Finance Act, 1940 (which provides for relief in respect of excess profits tax in His Majesty's dominions outside the United Kingdom), then, except in so far as the arrangements otherwise provide, no relief shall be granted under that section against excess profits tax or the national defence contribution chargeable for any chargeable accounting period to which the arrangements apply or, where the arrangements apply to part only of a chargeable accounting period, against such part of the excess profits tax or the national defence contribution chargeable for that chargeable accounting period as is proportionate to the length of that part thereof.
- (4) The provisions of the Seventh Schedule to this Act shall have effect where arrangements which have effect by virtue of this section provide that tax payable under the laws of the territory concerned shall be allowed as a credit against tax payable in the United Kingdom.
- (5) Where, under any arrangements which have effect by virtue of this section, relief may be given either in the United Kingdom or in the territory with the Government of which the arrangements are made in respect of any income, and it appears that the assessment to income tax made in respect of the income is not made in respect of the full amount thereof or is incorrect having regard to the credit, if any, which falls to be given under the arrangements, any such additional assessments may be made as are necessary to ensure that the total amount of the income is assessed and the proper credit, if any, is given in respect thereof, and where the income is entrusted to any person in the United Kingdom for payment any such additional assessment may be made on the recipient of the income under Case VI of Schedule D.
- (6) Any arrangements to which effect is given under this section may include provision for relief from tax for periods before the passing of this Act or before the making of the arrangements and provisions as to income which is not itself subject to double taxation, and the preceding provisions of this section shall have effect accordingly.

52 Deduction of income tax from dividends.

- (1) This section applies to any dividend payable more than two months after the passing of this Act, being a dividend from which deduction of tax is authorised by Rule 20 of the General Rules, and in this section the expression " the company " means a body of persons paying a dividend to which this section applies.
- (2) Subsection (5) of section twenty-seven of the Finance Act, 1920 (which limits the rate at which tax may be deducted from dividends) shall not apply to any dividend to which this section applies, and the amount of tax which is authorised by Rule 20 of the General Rules to be deducted from any such dividend shall be determined without taking into account any reduction, by reason of double taxation relief, of the United Kingdom income tax payable directly or by deduction by the company, but—
 - (a) notwithstanding anything in the Income Tax Acts, no relief or repayment in respect of the tax deducted or authorised to be deducted from any such

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- dividend shall be allowed at a rate exceeding the rate (hereinafter referred to as " the net United Kingdom rate ") of the United Kingdom income tax payable directly or by deduction by the company after taking double taxation relief into account; and
- (b) where the United Kingdom income tax payable directly or by deduction by the company is affected by double taxation relief, the particulars to be given by the company in the statement required by section thirty-three of the Finance Act, 1924, shall (in addition to the particulars required to be given apart from this section) include particulars of the net United Kingdom rate.
- (3) Where a dividend to which this section does not apply has been paid, whether before or after the passing of this Act, and any double taxation relief would have fallen to be taken into account in relation to that dividend if this section had applied thereto, that relief shall, unless it is relief which has been taken into account for the purposes of subsection (5) of the said section twenty-seven, be taken into account as far as possible in determining the net United Kingdom rate in relation to the first dividend payable by the company to which this section applies, and any part of that relief which cannot be so taken into account shall as far as possible be taken into account in relation to the next succeeding dividend, and so on.
- (4) Where the whole or any part of any annual payment is payable out of a dividend to which this section applies, and the rate of relief or repayment allowable in respect of the tax deducted or authorised to be deducted from the dividend is affected by double taxation relief, the annual payment, or that part thereof, as the case may be, shall be deemed to be paid out of profits or gains not brought into charge to tax and Rule 21 of the General Rules shall apply accordingly, but the tax chargeable under the said Rule on the person making the payment shall be reduced by an amount equal to tax on the payment or part of the payment at the net United Kingdom rate applicable to the dividend.
- (5) In this section the expression " double taxation relief " means any credit for foreign income tax which is allowable against United Kingdom income tax by virtue of arrangements having effect under this Part of this Act and any relief allowable under the provisions of section twenty-seven of the Finance Act, 1920, including any credit or relief which has been taken into account for the purposes of determining the net United Kingdom rate applicable to any dividends received by the company.

53 Power to make regulations.

The Commissioners of Inland Revenue may from time to time make regulations generally for carrying out the preceding provisions of this Part of this Act or any arrangements having effect thereunder and may, in particular, by those regulations provide—

- (a) for securing that relief from taxation imposed by the laws of the territory to which any such arrangements relate does not enure to the benefit of persons not entitled thereto;
- (b) for prescribing the principles upon which the net United Kingdom rate is to be determined for the purposes of the last preceding section; and
- (c) for authorising, in cases where tax deductible from any periodical payment has, in order to comply with any such arrangements, not been deducted and it is discovered that the arrangements do not apply to that payment, the recovery of the tax by assessment on the person entitled to the payment or by deduction from subsequent payments.

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54 Agreements for relief from double estate duty.

- (1) If His Majesty by Order in Council declares that arrangements specified in the Order have been made with the Government of any territory outside the United Kingdom with a view to affording relief from double taxation in relation to estate duty payable under the laws of the United Kingdom and any duty of a similar character imposed under the laws of that territory, and that it is expedient that those arrangements should have effect, the arrangements shall, notwithstanding anything in any enactment, have effect so far as they provide for relief from estate duty, or for determining the place where any property is to be treated as being situated for the purposes of estate duty.
- (2) Where arrangements have effect by virtue of this section—
 - (a) subsection (4) of section seven of the Finance Act, 1894 (which provides for relief in respect of duty payable in a foreign country) shall not have effect in relation to duty to which the arrangements apply chargeable under the laws of the territory concerned; and
 - (b) if the territory concerned is one to which section twenty of the Finance Act, 1894, applies, no allowance shall be made under that section in respect of duty to which the arrangements apply chargeable under the laws of that territory.
- (3) Any arrangements to which effect is given under this section may include provision for relief from duty in the case of deaths occurring before the passing of this Act or before the making of the arrangements and provisions as to property which is not itself subject to double duty, and the provisions of this section shall have effect accordingly.
- (4) Notwithstanding anything in the Government of Ireland Act, 1920, the Parliament of Northern Ireland shall, as respects estate duty payable under the laws of Northern Ireland, have power to make laws for purposes similar to the purposes of this section.

55 Disclosure of information.

- (1) Where any arrangements have effect by virtue of this Part of this Act, the obligation as to secrecy imposed by any enactment shall not prevent the Commissioners of Inland Revenue or any authorised officer of the Commissioners of Inland Revenue from disclosing to any authorised officer of the Government with which the arrangements are made such information as is required to be disclosed under the arrangements.
- (2) Where a person beneficially entitled to the income from any securities, as defined by section eighteen of the Finance Act, 1939 (which empowers the Special Commissioners to obtain information as to income from securities) is resident in a territory to which arrangements with respect to income tax which have effect under this Part of this Act relate, subsection (5) of that section shall not exempt any bank from the duty of disclosing to the Special Commissioners particulars relating to the income of that person.

56 Supplementary.

- (1) Any Order in Council made under this Part of this Act may be revoked by a subsequent Order in Council, and any such revoking Order may contain such transitional provisions as appear to His Majesty to be necessary or expedient.
- (2) Before any Order proposed to be made under this Part of this Act is submitted to His Majesty in Council, a draft thereof shall be laid before the Commons House of

Parliament, and the Order shall not be so submitted unless an Address is presented to His Majesty by that House praying that the Order be made.

PART VI

MISCELLANEOUS.

57 Relief from death duties on land subsequently acquired by government departments, local authorities, etc..

- (1) The following provisions of this section shall have effect where an interest in land—
- (a) is compulsorily acquired by a government department or a local or public authority within the meaning of the Acquisition of Land (Assessment of Compensation) Act, 1919; or
 - (b) is acquired by agreement by such a government department or local or public authority as aforesaid, being a department or authority who, when the agreement is made, are authorised by, or are or can be authorised under, any enactment to acquire that interest in land compulsorily,
- and, in either case, the date of acquisition falls within the period of five years from the seventeenth day of November, nineteen hundred and forty-four.
- (2) If it is proved to the satisfaction of the Commissioners of Inland Revenue—
- (a) that estate duty has been paid, or is payable, in respect of the whole of the interest, and that that interest was valued for the purposes of that duty as at a date after the thirty-first day of March, nineteen hundred and thirty-nine, and before the date of acquisition; and
 - (b) that the persons to whom the interest passed beneficially on the death on which the duty was payable were the same persons as were beneficially interested therein at the date of acquisition, and the beneficial interests which they respectively took on the death were the same beneficial interests as they respectively had at the date of acquisition; and
 - (c) that the interest was the same in all respects and with the same incidents at the date of acquisition and at all dates relevant for the purpose of ascertaining the duty; and
 - (d) that the land in which the interest subsisted was in the same state and with the same incidents and held with the same land at the date of acquisition and at all dates relevant for the purpose of ascertaining the duty; and
 - (e) that the duty fell or falls to be wholly borne by the persons who were beneficially interested at the date of the acquisition according to the respective interests which they then had; and
 - (f) that the acquisition did not operate to sever the land from land with which it was held at any of the dates relevant for the purpose of ascertaining the duty,
- the amount of duty payable in respect of the interest shall, where necessary, be reduced by repayment or remission of duty so as not to exceed the amount which would have been payable in respect thereof if the principal value of the interest had been equal to the amount of the compensation or price payable for the purchase thereof, including, in the case of compensation, any supplement thereto under section fifty-eight or section fifty-nine of the Town and Country Planning Act, 1944, or any corresponding enactment relating to Scotland.

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- (3) Where the Commissioners are satisfied that the provisions of the last preceding subsection would have had effect but for all or any of the following facts, that is to say—
- (a) that the requirement in paragraph (a) thereof is not fulfilled in that the duty was paid or payable on part of the interest only; or
 - (b) that one or more of the requirements respectively specified in paragraphs (b) to (e) thereof are only partly fulfilled; or
 - (c) that the requirement in paragraph (f) thereof is not fulfilled,
- they may grant to any of the persons paying or bearing any of the duty such relief by repayment or remission of duty as may seem to them just and reasonable.
- (4) The two last preceding subsections shall have effect in relation to any legacy or succession duty becoming payable on the principal value of the interest as they have effect in relation to estate duty, subject, however, to the modification that for the references to the death there shall be substituted references to the happening of any event or the expiry of any period upon which the legacy or succession duty became or becomes payable.
- (5) An interest which is limited to expire, or is subject to an interest which is limited to expire, shall not be treated for the purposes of this section as being the same in all respects at different dates.
- (6) In this section, the expression " the date of acquisition " means—
- (a) in the case of a compulsory acquisition, the date of the service of the notice to treat; and
 - (b) in the case of an acquisition by agreement, the date of the making of the agreement,
- and the reference in this subsection to the service of the notice to treat shall be taken to include a reference to the constructive service of such a notice which, by virtue of the Sixth Schedule to the Town and Country Planning Act, 1944, or by virtue of any other enactment, is to be deemed to be served.

58 Amendment of law as to exceptional depreciation allowances.

- (1) The enactments relating to the computation of profits for the purposes of excess profits tax and the national defence contribution shall, in relation to allowances for exceptional depreciation of buildings, plant or machinery, have effect, and be deemed always to have had effect, subject to the modifications specified in Parts I and II of the Eighth Schedule to this Act.
- (2) The provisions of Part II of the Eighth Schedule to this Act shall, in relation to allowances under section nineteen of the Finance Act, 1941, have effect and be deemed always to have had effect in substitution for the provisions of section fifty-eight and subsections (2) to (5) of section fifty-nine of the Income Tax Act, 1945, and accordingly the said sections fifty-eight and fifty-nine shall have effect and be deemed always to have had effect subject to the following amendments—
- (a) in subsection (4) of the said section fifty-eight, paragraph (b) shall be omitted and for the words " sections nineteen and twenty-nine " there shall be substituted the words " section twenty-nine " ;
 - (b) in subsection (2) of the said section fifty-nine, after the words " subsection (1) of this section " there shall be inserted the words " (other than the said section nineteen) " ; and

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- (c) in subsection (5) of the said section fifty-nine, the words " and, as respects exceptional depreciation allowances, the provisions of this section shall be deemed always to have had effect " shall be omitted.

59 Determination of questions affecting allowances for exceptional depreciation.

- (1) In this section the expression " exceptional depreciation allowance " means any allowance, other than an allowance which, by the terms of the enactments relating thereto, is expressed to be provisional only,—
 - (a) under section nineteen of the Finance Act, 1941; or
 - (b) under paragraph 3 of Part I of the Seventh Schedule to the Finance (No. 2) Act, 1939, and subsection (1) of section thirty-three of the Finance Act, 1940; or
 - (c) under the said paragraph 3 and the said subsection (1) as applied in relation to the national defence contribution by subsection (2) of section forty-three of the Finance Act, 1941.

- (2) The question as to whether any, and, if so, what, exceptional depreciation allowance falls to be made in respect of any asset or group of assets shall be determined by the Commissioners of Inland Revenue.

- (3) The Commissioners shall give notice of their decision to the person to whom the exceptional depreciation allowance falls or would fall to be made, and where, for the purposes of their decision, the Commissioners decide—
 - (a) how much of the price paid on a sale of two or more assets sold together is properly attributable to any of those assets; or
 - (b) what is the relevant price (as defined for the purposes of paragraph 8 of Part II of the Eighth Schedule to this Act) of any asset or group of assets,

they shall give notice of their decision on that question to the said person, and, if it appears to them that the same question is also material in relation to the liability of any other person to income tax, excess profits tax or the national defence contribution, shall also give notice of their decision thereon to that other

A person to whom notice of any decision has been given under this subsection shall not, in any proceedings relating to his liability to income tax, excess profits tax or the national defence contribution, be entitled to call that decision in question otherwise than in accordance with the provisions of this section relating to appeals.

- (4) Any person to whom such a notice is given may appeal against the decision to the Special Commissioners, and the provisions of the Income Tax Acts relating to appeals against assessments, including the provisions relating to the statement of cases for the opinion of the High Court on a point of law, shall, with the necessary modifications, have effect in relation to any such appeal as if it were an appeal against an assessment under Schedule D signed and allowed by the Special Commissioners, and as if the notice were a notice of that assessment:

Provided that upon any such appeal all persons who have received notices under this section in connection with the decision under appeal shall be entitled to appear and be heard, and, in relation to the statement of a case, shall have the same rights as the appellant, and, when the questions under appeal are finally decided, either by the Special Commissioners or by the Court, that decision shall not be called in question by any of the said persons in any proceedings relating to his liability to income tax, excess profits tax or the national defence contribution.

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- (5) There shall be made all such adjustments, whether by way of repayment of tax or otherwise, and all such assessments, as are required in consequence of the decision of any question under this section, and, in particular, there shall be made all such assessments as may be necessary for securing that the amount of tax ultimately borne by any person is what it would have been if no provisional allowances had been made and if any exceptional depreciation allowance which, under the decision, falls to be made to him or to any other person had been made immediately upon the conclusion of the year of assessment or chargeable accounting period for which it falls to be made.

Notwithstanding any provision of the Income Tax Acts limiting the time for claiming adjustments or the time for making assessments, any adjustment or assessment (including any consequential assessment to surtax) required to be made under this subsection may be made at any time.

- (6) Subsection (6) of section nineteen of the Finance Act, 1941, shall not have effect in relation to any adjustments or assessments which are required in consequence of any decision under this section.
- (7) Any notice to be given by the Commissioners under this section may be given on behalf of the Commissioners by any surveyor appointed for the purposes of the Income Tax Acts.
- (8) This section shall have effect both in relation to questions arising before, and in relation to questions arising after, the passing of this Act.
- (9) Section sixty-one of the Income Tax Act, 1945, shall not apply as respects any apportionment or determination which is material as respects the right of any person to an exceptional depreciation allowance.

60 Appointment of collectors of taxes, etc. for City of London.

- (1) The power to appoint collectors of taxes and collectors of land tax for the division of the City of London shall be transferred to and vested in the Commissioners of Inland Revenue; and all collectors of taxes and collectors of land tax for that division, by whomsoever appointed, shall hold office during the will and pleasure of the Commissioners of Inland Revenue and shall be paid such remuneration as the Treasury may determine; and the enactments relating to the collection of income tax and land tax mentioned in the Ninth Schedule to this Act shall have effect subject to the provisions of that Schedule.
- (2) The Treasury are hereby authorised to grant, subject to and in accordance with such conditions as they may prescribe, out of moneys provided by Parliament, annual allowances by way of compensation to any such collectors of taxes, collectors of land tax or other persons as may be designated by the Treasury, being collectors or other persons whose appointments are determined by the Commissioners of Inland Revenue at any time after the thirty-first day of March, nineteen hundred and forty-six, and who were employed in and about the collection of income tax or land tax in the division of the City of London immediately before the passing of this Act.
- (3) The Pensions Commutation Acts, 1871 to 1882, shall apply to any person to whom a compensation allowance is awarded in pursuance of subsection (2) of this section as if he had retired from a public civil office in consequence of the abolition of his office.

61 Amendment as to deficit for 1944-45.

No issue shall be made out of the Consolidated Fund under section forty-eight of the Finance Act, 1930 (which provides in the case of a deficit in any year for the redemption in the next year of a corresponding amount of debt) in respect of the deficit for the financial year ending with the thirty-first day of March, nineteen hundred and forty-five.

62 Short title, construction, extent and repeals.

- (1) This Act may be cited as the Finance (No. 2) Act, 1945
- (2) Part I of this Act—
 - (a) so far as it relates to purchase tax, shall be construed as one with Part V of the Finance (No. 2) Act, 1940;
 - (b) so far as it relates to duties of customs, shall be construed as one with the Customs (Consolidation) Act, 1876;
 - (c) so far as it relates to duties of excise, shall be construed as one with the Acts which relate to the duties of excise and to the management of those duties;and in the said Part I the expression " the Commissioners " means the Commissioners of Customs and Excise.
- (3) Part II of this Act and, so far as they relate to income tax, Parts IV, V and VI thereof, shall be construed as one with the Income Tax Acts.
- (4) Parts III, IV, V and VI of this Act, so far as they relate to excess profits tax, shall be construed as one with Part III of the Finance (No. 2) Act, 1939.
- (5) Parts V and VI of this Act, so far as they relate to estate duty, shall be construed as one with Part I of the Finance Act, 1894.
- (6) Any reference in this Act to any other enactment shall, unless the context otherwise requires, be construed as a reference to that enactment as amended by or under any other enactment, including this Act.
- (7) Save as otherwise expressly provided, such of the provisions of this Act as relate to matters with respect to which the Parliament of Northern Ireland has power to make laws shall not extend to Northern Ireland.
- (8) The enactments specified in the Tenth Schedule to this Act are hereby repealed to the extent mentioned in the third column of that Schedule as from the first day of January, nineteen hundred and forty-six.