



# Finance Act 1965

## 1965 CHAPTER 25

### PART IV

#### TAXATION OF COMPANIES AND OF COMPANY DISTRIBUTIONS.

##### *Supplementary.*

#### **88 Consequential amendments of estate duty.**

- (1) For purposes of Part IV of the Finance Act 1940 (which provides, in relation to certain companies, for estate duty to be charged on assets of the company) the net income of a company or a loss sustained by a company shall for any accounting year ending before 6th April 1966 be determined in accordance with section 49 of that Act as if this Part of this Act had not been passed, and if the last accounting year in relation to any death ends before that date, shall also be so determined for the period between the end of that year and the death of the deceased.
- (2) Subject to subsection (1) above, the income of a company for any accounting year or for the period between the end of the last accounting year and the death of the deceased, shall be determined for purposes of Part IV of the Finance Act 1940 according to the rules applicable under this Part of this Act to the computation for corporation tax of the total profits of a company resident in the United Kingdom (losses of any description being deducted from income of any description), except that—
  - (a) franked investment income and group income shall be included, but not profits which are neither bona fide earned in the ordinary course of business nor produce of income yielding assets ;
  - (b) no regard shall be had—
    - (i) to any investment allowances, initial allowances or balancing charges; nor
    - (ii) to any deduction falling to be made in respect of losses, allowances or expenses of management outside the period in which a deduction originally falls to be made in respect thereof; nor

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(iii) to any restriction on the deduction that may be made for directors' remuneration;

and the net income of the company for any accounting year shall be determined by deducting from the income of the company for that year any corporation tax borne by the company in respect of the year, and (in so far as a deduction is not made in respect of the same matter in computing the income) the liabilities of the company for that year in respect of any kind of payment from which income tax is deductible, or which is assessable to income tax, but excluding liabilities in respect of any dividend on shares in or interest on debentures of the company and liabilities incurred otherwise than for the purposes of the business of the company wholly and exclusively.

This subsection shall apply for determining a loss sustained by a company in an accounting year as it applies for determining the net income for an accounting year.

- (3) In Schedule 7 to the Finance Act 1940, in paragraph 4(1) (which provides for making adjustments for purposes of Part IV of that Act in respect of an addition's having been made to the assets of the company) the reference to receipts representing income in respect of which the company was liable to pay or bear income tax shall include any franked investment income or group income and the reference to income tax shall include corporation tax.
- (4) In the Finance Act 1954, in section 30(3) (under which in valuing a company's assets for purposes of Part IV of the Finance Act 1940 allowances may be made for the company's prospective tax liabilities, with special provision for the estimation of a liability based on past profits to tax on future profits) the words from " and in their estimation" onwards shall be omitted.
- (5) Nothing in this Part of this Act or in the repeals consequential thereon shall affect the operation of section 58(1) of the Finance Act 1940 (which defines the companies falling within certain provisions of that Act by reference to income tax law).

## 89 Interpretation.

- (1) In this Act and in any Act passed after this Act " the Corporation Tax Acts ", except in so far as the context otherwise requires, means this Part of this Act (including provisions relating to income tax), together with the Income Tax Acts so far as those Acts apply for purposes of corporation tax and any other enactments relating to corporation tax.
- (2) For the purposes of this Part of this Act, except in so far as the context otherwise requires.—
  - (a) " accounting date " means the date to which a company makes up its accounts, and " period of account " means the period for which it does so;
  - (b) " branch or agency " means any factorship, agency, receivership, branch or management;
  - (c) " charges on income ", subject to section 70(3) of this Act, has the meaning assigned to it by section 52;
  - (d) " distribution " has the meaning assigned to it by Schedule 11 to this Act;
  - (e) " the financial year 1965 " means the financial year beginning with April 1965, and similarly with references embodying other dates;
  - (f) " franked investment income " and " group income " shall be construed in accordance with section 48 of this Act, and any reference to a " surplus of

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- franked investment income " is a reference to such a surplus as is referred to in section 48(1);
- (g) " new consideration " has in other provisions the same meaning as in Part I of Schedule 11 to this Act;
  - (h) " preference dividend " means a dividend payable on a preferred share or preferred stock at a fixed gross rate per cent. or, where a dividend is payable on a preferred share or preferred stock partly at a fixed gross rate per cent. and partly at a variable rate, such part of that dividend as is payable at a fixed gross rate per cent., but it does not include any dividend or part of a dividend which is paid without deduction of income tax (and for this purpose a payment shall be treated as made without deduction of income tax unless either there is made from it the full deduction authorised by this Part of this Act or the payment is, before the passing of an Act imposing income tax for the year of assessment, made subject to deduction of tax by reference to a standard rate less than that ultimately imposed);
  - (i) " recognised stock exchange " has the same meaning as in the Prevention of Fraud (Investments) Act 1958, except that it includes the Belfast Stock Exchange ;
  - (j) " trade " includes " vocation ", and includes also an office or employment or the occupation of woodlands in any context in which the expression is applied to that in the Income Tax Acts ;
  - (k) a source of income is " within the charge to " corporation tax or income tax if that tax is chargeable on the income arising from it, or would be so chargeable if there were any such income, and references to a person, or to income, being within the charge to tax, shall be similarly construed.
- (3) Except as otherwise provided by this Part of this Act and except in so far as the context otherwise requires, expressions used in the Income Tax Acts have the same meaning in this Part of this Act as in those Acts; but no provision of this Part of this Act as to the interpretation of any expression, other than a provision expressed to extend to the use of that expression in the Income Tax Acts, shall be taken to affect its meaning in those Acts as they apply for the purposes of corporation tax.
- (4) For all purposes of the Corporation Tax Acts dividends shall be treated as paid on the date when they become due and payable, except in so far as section 69(1) of the Finance Act 1960 (authorised unit trust schemes) makes other provision as to amounts treated under that section as dividends.
- (5) Section 63(2) of the Finance Act 1947 and section 71 of the Finance Act 1948 (which contain provisions for treating certain amounts as being or not being remuneration of a director) shall apply for the purposes of corporation tax as they applied for purposes of the profits tax (references to section 74 of this Act being substituted for references to paragraph 11 of Schedule 4 to the Finance Act 1937).
- (6) Except as otherwise provided by this Part of this Act, any apportionment to different periods which falls to be made thereunder shall be made on a time basis according to the respective lengths of those periods.