

SCHEDULES.

SCHEDULE 1

Section 1.

SPIRITS (RATES OF CUSTOMS AND EXCISE DUTIES).

Table 1: Spirits other than Imported Perfumed Spirits.

Description of Spirits	Excise rate			Customs rates								
	£	s.	d.	Full			Commonwealth			Convention		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1. British spirits (per proof gallon)	14	12	0		—			—			—	
2. Imported spirits other than perfumed spirits—												
(a) not comprised below in this paragraph (per proof gallon)		—		14	14	6	14	12	0	14	12	0
(b) liqueurs, cordials, mixtures and other preparations in bottle, entered in		—		19	18	0	19	14	6	19	14	6

Status: This is the original version (as it was originally enacted).

Description of Spirits	Excise rate	Customs rates											
		Full			Commonwealth			Convention					
such manner as to indicate that the strength is not to be tested (per gallon)													
each of the above rates of duty being, in the case of spirits not warehoused or warehoused for less than 3 years, increased by 1s. 6d. per proof gallon or, for spirits within paragraph 2(b) of this table, by 2s. 0d. per gallon.													

SCHEDULE 2

Section 1.

BEER (RATES OF CUSTOMS AND EXCISE DUTIES AND DRAWBACKS).

	Excise rates (per 36 gallons)			Customs rates (per 36 gallons)								
				Full			Commonwealth			Convention		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1. Duty	8	11	0	9	11	2	8	11	2	8	11	2
2. Drawback	8	11	2	9	11	2	8	11	2	8	11	2
each of the above rates of duty and drawback being, in the case of beer of an original gravity exceeding 1030 degrees, increased by 7s. 3 ½ d. for each additional degree.												

SCHEDULE 3

Section 1.

WINE (RATES OF CUSTOMS DUTIES).

Description of wine	Rates of duty (per gallon)					
	Full			Commonwealth		
	£	s.	d.	£	s.	d.
For the purposes of this Schedule, " light wine " means wine not exceeding 25 degrees or, in the case of wine qualifying for Commonwealth preference, 27 degrees of proof spirit.						

Description of wine	Rates of duty (per gallon)					
	Full			Commonwealth		
Light wine:—						
Still—						
not in bottle		18	6		16	6
in bottle	1	1	0		18	0
Sparkling	1	11	0	1	9	0
Other wine:—						
Still—						
not in bottle	1	16	6	1	6	6
in bottle	1	19	0	1	8	0
Sparkling	2	9	0	1	19	0
together, in the case of wine exceeding 42 degrees proof spirit, with an addition for each additional degree or fraction of a degree of		3	1		2	3

For the purposes of this Schedule, "light wine" means wine not exceeding 25 degrees or, in the case of wine qualifying for Commonwealth preference, 27 degrees of proof spirit.

SCHEDULE 4

Section 1.

BRITISH WINE (RATES OF EXCISE DUTIES).

Description of British wine	Rates of duty (per gallon)		
	£	s.	d.
Light British wine:—			
Still		16	0

For the purposes of this Schedule, "light British wine" means British wine not exceeding 27 degrees of proof spirit.

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

Description of British wine	Rates of duty (per gallon)		
Sparkling	1	2	0
Other British wine:—			
Still		17	0
Sparkling	1	3	0

For the purposes of this Schedule, "light British wine " means British wine not exceeding 27 degrees of proof spirit.

SCHEDULE 5

Section 5.

VEHICLES EXCISE DUTY.

PART I

RATES OF DUTY SUBSTITUTED FOR RATES IN PART II OF SCHEDULE 1 TO ACT OF 1962.

Description of Vehicle	Rate of Duty		
	£	s.	d.
1. Bicycles of which the cylinder capacity of the engine does not exceed 150 cubic centimetres, or which are electrically propelled	2	0	0
2. Bicycles of which the cylinder capacity of the engine exceeds 150 cubic centimetres but does not exceed 250 cubic centimetres; tricycles and vehicles (other than mowing machines) with more than three wheels, being tricycles and vehicles neither constructed nor adapted for use nor used for the carriage of a driver or passenger	4	0	0

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Description of Vehicle	Rate of Duty		
	8	0	0
3. Bicycles and tricycles not in the foregoing paragraphs			

PART II

RATES OF DUTY SUBSTITUTED FOR RATES IN PART II OF SCHEDULE 3 TO ACT OF 1962.

1.	Weight unladen of vehicle		Rate of duty					
	2.	3.	4.	5.			Additional for each ton or part of a ton in excess of the weight in column 2	
Description	Exceeding	Not Exceeding	Initial					
			£	s.	d.	£	s.	d.
1. Agricultural machines; digging machines; mobile cranes ; works trucks; mowing machines.	—	—	3	15	0		—	
2. Haulage vehicles, being showmen's vehicles.	—	7 ¼ tons	37	10	0		—	
	7 ¼ tons	8 tons	45	0	0		—	
	8 tons	10 tons	52	10	0		—	
	10 tons	—	52	10	0	7	10	0
3. Haulage vehicles, not being showmen's vehicles.	—	2 tons	45	0	0		—	
	2 tons	4 tons	72	0	0		—	
	4 tons	6 tons	99	0	0		—	
	6 tons	7 ¼ tons	126	0	0		—	
	7 ¼ tons	8 tons	153	0	0		—	
	8 tons	—	153	0	0	27	0	0

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

PART III

RATES OF DUTY SUBSTITUTED FOR RATES IN PART II OF SCHEDULE 4 TO ACT OF 1962.

Tables showing annual rates of duty on goods vehicles.

Table A.

GENERAL RATES OF DUTY.

1.	Weight unladen of vehicle		Rate of duty					
	2. Exceeding	3. Not Exceeding	4. Initial			5. Additional for each ¼ ton or part of a ¼ ton in excess of the weight in column 2		
Description of vehicle			£	s.	d.	£	s.	d.
1. Farmers' goods vehicles	—	12 cwt.	15	0	0		—	
	12 cwt.	16 cwt.	16	10	0		—	
	16 cwt.	1 ton	17	0	0		—	
	1 ton	1 ¼ tons	18	0	0		—	
	1 ¼ tons	2 ½ tons	18	0	0	1	0	0
	2 ½ tons	4 ¼ tons	23	0	0	1	10	0
	4 ¼ tons	—	33	10	0		15	0
2. Showmen's goods vehicles.	—	12 cwt.	15	0	0		—	
	12 cwt.	16 cwt.	16	10	0		—	
	16 cwt.	1 ton	18	0	0		—	
	1 ton	3 tons	18	0	0	1	10	0
	3 tons	4 tons	30	0	0	1	15	0
	4 tons	7 tons	37	0	0	1	10	0
	7 tons	8 tons	55	0	0	1	15	0
3. Electrically propelled goods vehicles (other than farmers' goods vehicles)	—	12 cwt.	18	0	0		—	
	12 cwt.	16 cwt.	19	15	0		—	
	16 cwt.	1 ton	21	10	0		—	
	1 ton	2 tons	21	10	0	1	15	0
	2 tons	3 tons	28	10	0	2	0	0
	3 tons	4 tons	36	10	0	1	15	0
	4 tons	6 tons	43	10	0	2	0	0

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Weight unladen of vehicle			Rate of duty					
1.	2.	3.	4.			5.		
Description of vehicle	Exceeding	Not Exceeding	Initial			Additional for each $\frac{1}{4}$ ton or part of a $\frac{1}{4}$ ton in excess of the weight in column 2		
or showmen's goods vehicles); tower wagons.	6 tons	8 tons	59	10	0	1	15	0
	8 tons	—	73	10	0	2	0	0
4. Goods vehicles not included in any of the foregoing provisions of this Part of this Schedule.	—	12 cwt.	18	0	0	—		
	12 cwt.	16 cwt.	22	10	0	—		
	16 cwt.	1 ton	27	0	0	—		
	1 ton	3 tons	27	0	0	4	10	0
	3 tons	4 tons	63	0	0	6	15	0
	4 tons	—	90	0	0	9	0	0

Table B

RATES OF DUTY ON GOODS VEHICLES USED FOR DRAWING TRAILERS.

Weight unladen of vehicle						
1.	2.	3.	4.			
Description of vehicle	Exceeding	Not Exceeding	Rate of duty			
			£	s.	d.	
1. Showmen's goods vehicles	—	—	15	0	0	
2. Electrically propelled goods vehicles (other than farmers' goods vehicles and showmen's goods vehicles);	—	1 ½ tons	12	0	0	
	1 ½ tons	—	18	0	0	

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Weight unladen of vehicle					
1.	2.	3.	4.		
Description of vehicle	Exceeding	Not Exceeding	Rate of duty		
tower wagons.					
3. Other goods vehicles	—	1 ½ tons	12	0	0
	1 ½ tons	2 ½ tons	18	0	0
	2 ½ tons	4 tons	27	0	0
	4 tons	—	36	0	0

PART IV

RATES OF DUTY SUBSTITUTED FOR RATES IN PART II OF SCHEDULE 5 TO ACT OF 1962.

Description of vehicle	Rate of duty		
	£	s.	d.
1. Electrically propelled vehicles; vehicles not exceeding seven horse-power, if registered under the Roads Act 1920 for the first time before 1st January 1947	12	10	0
2. Vehicles not included above	17	10	0

PART V

AMENDMENTS OF ACT OF 1962.

- 1 In Part I of Schedule 1 to the Vehicles (Excise) Act 1962, in paragraph 3, in the definition of " bicycle ", the word " and " shall be omitted and at the end there shall be added the words " and a bicycle to which a side-car is attached ".
- 2 In Part I of Schedule 3 to the said Act of 1962, after paragraph 4, there shall be inserted the following paragraph—
 - “4A In this Schedule " works truck " means a goods vehicle (within the meaning of Schedule 4 to this Act) designed for use in private premises and used on public roads only for carrying goods between such premises and a vehicle on a road in the immediate vicinity, or in passing from one part of any such premises to another or to other private premises in the

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immediate vicinity, or in connection with road works while at or in the immediate vicinity of the site of such works.”

- 3 In Part I of Schedule 4 to the said Act of 1962, in paragraph 2(c), after the words " mobile crane " there shall be inserted the words " or works truck ", and at the end of paragraph 7(1) there shall be inserted the words " ' works truck' has the same meaning as in Schedule 3 to this Act ".

PART VI

TRANSITORY RATES FOR CERTAIN VEHICLES.

In Part II of this Schedule, for paragraph 2 there shall be substituted the following paragraph—

“2.	—	7 ¼ tons	45	0	0	—		
Haulage	7 ¼ tons	8 tons	54	0	0	—		
vehicles,	8 tons	10 tons	63	0	0	—		
being	10 tons	—	63	0	0	9	0	0”
showmen’s								
vehicles.								

In Part III of this Schedule, in Table A, for paragraphs 1, 2 and 3 there shall be substituted the following paragraphs—

“1.	—	12 cwt.	18	0	0	—		
Farmers’	12 cwt.	16 cwt.	19	5	0	—		
goods	16 cwt.	1 ton	20	5	0	—		
vehicles	1 ton	1 ¼ tons	21	10	0	—		
	1 ¼ tons	2 tons	21	10	0	1	15	0
	2 tons	3 ½ tons	23	15	0	1	5	0
	3 ½ tons	—	31	5	0	1	15	0
2.	—	12 cwt.	18	0	0	—		
Showmen’s	12 cwt.	16 cwt.	19	15	0	—		
goods	16 cwt.	1 ton	21	10	0	—		
vehicles;	1 ton	2 tons	21	10	0	1	15	0
electrically	2 tons	3 tons	28	10	0	2	0	0
propelled	3 tons	4 tons	36	10	0	1	15	0
goods	4 tons	6 tons	43	10	0	2	0	0
vehicles	6 tons	8 tons	59	10	0	1	15	0
(other	8 tons	—	73	10	0	2	0	0”
than								
farmers’								
goods								
vehicles);								
tower								
wagons.								

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In Part III of this Schedule, in Table B, for paragraphs 1, 2 and 3 there shall be substituted the following paragraphs—

“1. Showmen's goods vehicles; electrically propelled goods vehicles (other than farmers' goods vehicles); tower wagons.	—	—	18	0	0
2. Other goods vehicles	—	2 ½ tons	18	0	0
	2 ½ tons	4 tons	27	0	0
	4 tons	—	36	0	0”

SCHEDULE 6

Section 22.

CAPITAL GAINS: COMPUTATION.

PART I*General.*

- 1 The provisions of this Schedule shall have effect for computing for the purposes of this Part of this Act the amount of a gain accruing on the disposal of an asset.

*Exclusion from consideration for disposals of
sums chargeable to income tax or corporation tax.*

- 2 (1) There shall be excluded from the consideration for a disposal of assets taken into account in the computation under this Schedule of the gain accruing on that disposal any money or money's worth charged to income tax as income of, or taken, into account as a receipt in computing income or profits or gains or losses of, the person making the disposal for the purposes of the Income Tax Acts.
- (2) The foregoing sub-paragraph shall not be taken as excluding from the consideration so taken into account any money or money's worth which is taken into account in the making of a balancing charge under Part X or Part XI of the Income Tax Act 1952 (Capital allowances).
- (3) This paragraph shall not preclude the taking into account in a computation under this Schedule, as consideration for the disposal of an asset, of the capitalised value

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of a rentcharge (as in a case where a rentcharge is exchanged for some other asset) or of the capitalised value of a ground annual or feu duty, or of a right of any other description to income or to payments in the nature of income over a period, or to a series of payments in the nature of income.

Exclusion of short-term gains.

- 3 (1) Without prejudice to the generality of paragraph 2(1) of this Schedule, and subject to the following provisions of this paragraph, a gain accruing on a disposal of an asset which is a disposal chargeable under Case VII of Schedule D shall not be a chargeable gain for the purposes of this Part of this Act.
- (2) A gain accruing on the disposal by way of gift of an asset shall not be a chargeable gain for the purposes of this Part of this Act—
- (a) if by virtue of paragraph 3(1) or 3(2) of Schedule 9 to the Finance Act 1962 (or those sub-paragraphs as extended by paragraph 4(1) of that Schedule) the donee is treated as if the donor's acquisition of the asset had been his acquisition of it, and
 - (b) the donee disposes of the asset in circumstances such that that disposal is chargeable under Case VII.
- (3) A gain accruing to the trustee on the disposal of an asset forming part of settled property deemed to be effected by him under section 25(3) of this Act when a person becomes absolutely entitled to it as against the trustee shall not be a chargeable gain for the purposes of this Part of this Act—
- (a) if by virtue of paragraph 4(2) of the said Schedule 9 that person is treated as if the acquisition of the asset by the trustee had been his acquisition of it, and
 - (b) if that person disposes of the asset in circumstances such that the disposal is chargeable under Case VII.
- (4) A gain accruing on a disposal to which paragraph 5(1) of the said Schedule 9 (sale at an undervalue) applies shall not be a chargeable gain for the purposes of this Part of this Act if the person acquiring assets on the disposal disposes of those assets in circumstances such that the disposal is chargeable under Case VII.
- (5) The amount or value of the consideration for the acquisition of an asset by the person acquiring it on a disposal chargeable under Case VII shall not under any provision of this Part of this Act be deemed to be an amount greater than the amount taken into account as consideration on that disposal for the purposes of Case VII.
- (6) Neither paragraph 2 of this Schedule nor sub-paragraph (1) above shall apply in relation to a disposal which is chargeable under Case VII in consequence of the provisions of section 14 of the Finance Act 1962 (disposals of land effected indirectly) if, under the said section 14(2)(b), the amount on which the said person is chargeable to tax is reduced, but the amount of the gain accruing on the disposal for the purposes of this Part of this Act shall not exceed the amount of the reduction.
- This sub-paragraph shall be applied before any provision of this Part of this Act which makes part of a gain a chargeable gain, and part not.
- (7) Any apportionment of consideration or expenditure falling to be made in relation to a disposal chargeable under Case VII in accordance with section 13(3) of the Finance Act 1962, and in particular in a case where section 13(5) of that Act (enhancement of value of land by acquisition of adjoining land) applies, shall be followed for the

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purposes of this Part of this Act both in relation to a disposal of the assets acquired on the disposal chargeable under Case VII and, where the disposal chargeable under Case VII is a part disposal, in relation to a disposal of what remains undisposed of.

- (8) In this paragraph references to a disposal chargeable under Case VII are references to cases where the acquisition and disposal is in circumstances such that the gain accruing on it is chargeable under Case VII of Schedule D, or where it would be so chargeable if there were a gain so accruing.

Expenditure: general provisions.

- 4 (1) Subject to the following provisions of this Schedule, the sums allowable as a deduction from the consideration in the computation under this Schedule of the gain accruing to a person on the disposal of an asset shall be restricted to—
- (a) the amount or value of the consideration, in money or money's worth, given by him or on his behalf wholly and exclusively for the acquisition of the asset, together with the incidental costs to him of the acquisition or, if the asset was not acquired by him, any expenditure wholly and exclusively incurred by him in providing the asset,
 - (b) the amount of any expenditure wholly and exclusively incurred on the asset by him or on his behalf for the purpose of enhancing the value of the asset, being expenditure reflected in the state or nature of the asset at the time of the disposal, and any expenditure wholly and exclusively incurred by him in establishing, preserving or defending his title to, or to a right over, the asset,
 - (c) the incidental costs to him of making the disposal.
- (2) For the purposes of this paragraph and for the purposes of all other provisions of this Part of this Act the incidental costs to the person making the disposal of the acquisition of the asset or of its disposal shall consist of expenditure wholly and exclusively incurred by him for the purposes of the acquisition or, as the case may be, the disposal, being fees, commission or remuneration paid for the professional services of any surveyor or valuer, or auctioneer, or accountant, or agent or legal adviser and costs of transfer or conveyance (including stamp duty) together—
- (a) in the case of the acquisition of an asset, with costs of advertising to find a seller, and
 - (b) in the case of a disposal, with costs of advertising to find a buyer and costs reasonably incurred in making any valuation or apportionment required for the purposes of the computation under this Schedule, including in particular expenses reasonably incurred in ascertaining market value where required by this Part of this Act.

Exclusion of expenditure by reference to income tax.

- 5 (1) There shall be excluded from the sums allowable under the last foregoing paragraph as a deduction in the computation under this Schedule any expenditure allowable as a deduction in computing the profits or gains or losses of a trade, profession or vocation for the purposes of income tax or allowable as a deduction in computing any other income or profits or gains or losses for the purposes of the Income Tax Acts and any expenditure which, although not so allowable as a deduction in computing any losses, would be so allowable but for an insufficiency of income or profits or gains ; and this sub-paragraph applies irrespective of whether effect is or would be given to the deduction in computing the amount of tax chargeable or by discharge of repayment of tax or in any other way.

- (2) Without prejudice to the provisions of sub-paragraph (1) above there shall be excluded from the sums allowable under the last foregoing paragraph as a deduction in the computation under this Schedule any expenditure which, if the assets, or all the assets to which the computation relates, were, and had at all times been, held or used as part of the fixed capital of a trade the profits or gains of which were (irrespective of whether the person making the disposal is a company or not) chargeable to income tax would be allowable as a deduction in computing the profits or gains or losses of the trade for the purposes of income tax.

Restriction of losses by reference to capital allowances and renewals allowances.

- 6 (1) The last foregoing paragraph shall not require the exclusion from the sums allowable as a deduction in the computation under this Schedule of any expenditure as being expenditure in respect of which a capital allowance or renewals allowance is made, but the amount of any losses accruing on the disposal of an asset shall be restricted by reference to capital allowances and renewals allowances as follows.
- (2) In the computation under this Schedule of the amount of a loss accruing to the person making the disposal, there shall be excluded from the sums allowable as a deduction any expenditure to the extent to which any capital allowance or renewals allowance has been or may be made in respect of it.
- (3) If the person making the disposal acquired the asset—
- (a) by a transfer by way of sale in relation to which an election under paragraph 4 of Schedule 14 to the Income Tax Act 1952 was made, or
 - (b) by a transfer to which paragraph 6 or paragraph 7 of Schedule 6 to the Finance Act 1952 applies,
- (being enactments under which a transfer is treated for the purposes of capital allowances as being made at written down value), the foregoing provisions of this paragraph shall apply as if any capital allowance made to the transferor in respect of the asset had (except so far as any loss to the transferor was restricted under those provisions) been made to the person making the disposal (that is the transferee); and where the transferor acquired the asset by such a transfer, capital allowances which by virtue of this sub-paragraph can be taken into account in relation to the transferor shall also be taken into account in relation to the transferee (that is the person making the disposal), and so on for any series of transfers before the disposal.
- (4) In this paragraph " capital allowance " means—
- (a) any allowance under Part X or Part XI of the Income Tax Act 1952, other than an investment allowance or an allowance under section 313 of that Act (relief for cost of maintenance of agricultural land),
 - (b) any relief given under paragraph 16 of Schedule 4 to the Finance Act 1963 (expenditure on sea walls), and
 - (c) any deduction in computing profits or gains allowable under section 22 of the Finance Act 1954 (cemeteries).
- (5) In this paragraph " renewals allowance " means a deduction allowable in computing the profits or gains of a trade, profession or vocation for the purpose of income tax by reference to the cost of acquiring an asset for the purposes of the trade, profession or vocation in replacement of another asset, and for the purposes of this Schedule a renewals allowance shall be regarded as a deduction allowable in respect of the expenditure incurred on the asset which is being replaced.

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- (6) The amount of capital allowances to be taken into account under this paragraph in relation to a disposal include any allowances falling to be made by reference to the event which is the disposal, and there shall be deducted from the amount of the allowances the amount of any balancing charge to which effect has been or is to be given by reference to the event which is the disposal, or any earlier event, and of any balancing charge to which effect might have been so given but for the making of an election under section 296 of the Income Tax Act 1952 (option in case of replacement of machinery or plant).

Part disposals.

- 7 (1) Where a person disposes of an interest or right in or over an asset and, generally wherever on the disposal of an asset any description of property derived from that asset remains undisposed of, the sums which under paragraphs (a) and (b) of paragraph 4(1) of this Schedule are attributable to the asset shall, both for the purposes of the computation under this Schedule of the gain accruing on the disposal and for the purpose of applying this Schedule in relation to the property which remains undisposed of, be apportioned.
- (2) The apportionment shall be made by reference—
- (a) to the amount or value of the consideration for the disposal on the one hand (call that amount or value A), and
 - (b) to the market value of the property which remains undisposed of on the other hand (call that market value B),
- and accordingly the fraction of the said sums allowable as a deduction in computing under this Schedule the amount of the gain accruing on the disposal shall be
- $$\frac{\mathbf{A}}{\mathbf{A} + \mathbf{B}}$$
- , and the remainder shall be attributed to the property which remains undisposed of.
- (3) Any apportionment to be made in pursuance of this paragraph shall be made before operating the provisions of the last foregoing paragraph, and if, after a part disposal, there is a subsequent disposal of an asset the capital allowances or renewals allowances to be taken into account in pursuance of that paragraph in relation to the subsequent disposal shall, subject to the next following sub-paragraph, be those referable to the sums which under paragraphs (a) and (b) of paragraph 4(1) of this Schedule are attributable to the asset whether before or after the part disposal, but those allowances shall be reduced by the amount (if any) by which the loss on the earlier disposal was restricted under the provisions of that paragraph.
- (4) This paragraph shall not be taken as requiring the apportionment of any expenditure which, on the facts, is wholly attributable to what is disposed of, or wholly attributable to what remains undisposed of.

Assets derived from other assets.

- 8 If and so far as, in a case where assets have been merged or divided or have changed their nature or rights or interests in or over assets have been created or extinguished, the value of an asset is derived from, any other asset in the same ownership, an appropriate proportion of the sums allowable as a deduction in a computation under this Schedule in respect of the other asset under paragraphs (a) and (b) of paragraph 4(1) of this Schedule shall, both for the purpose of the computation of a gain

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accruing on the disposal of the first-mentioned asset and, if the other asset remains in existence, on a disposal of that other asset, be attributed to the first-mentioned asset.

Wasting assets.

- 9 (1) In this Schedule "wasting asset" means an asset with a predictable life not exceeding fifty years but so that—
- (a) freehold land shall not be a wasting asset whatever its nature, and whatever the nature of the buildings or works on it,
 - (b) animals shall not be regarded as wasting assets so long as they are immature,
 - (c) "life", in relation to any tangible moveable property, means useful life, having regard to the purpose for which the tangible assets were acquired or provided by the person making the disposal,
 - (d) plant and machinery shall in every case be regarded as having a predictable life of less than fifty years, and in estimating that life it shall be assumed that its life will end when it is finally put out of use as being unfit for further use, and that it is going to be used in the normal manner and to the normal extent and is going to be so used throughout its life as so estimated,
 - (e) a life interest in settled property shall not be a wasting asset until the predictable expectation of life of the life tenant is fifty years or less, and the predictable life of life interests in settled property and of annuities shall be ascertained from actuarial tables approved by the Board.
- (2) In this Schedule "the residual or scrap value", in relation to a wasting asset, means the predictable value, if any, which the wasting asset will have at the end of its predictable life as estimated in accordance with this paragraph.
- (3) The question what is the predictable life of an asset, and the question what is its predictable residual or scrap value at the end of that life, if any, shall, so far as those questions are not immediately answered by the nature of the asset, be taken, in relation to any disposal of the asset, as they were known or ascertainable at the time when the asset was acquired or provided by the person making the disposal.

Wasting assets: straightline restriction of allowable expenditure.

- 10 (1) In the computation under this Schedule of the gain accruing on the disposal of a wasting asset it shall be assumed—
- (a) that any expenditure attributable to the asset under paragraph 4(1)(a) of this Schedule after deducting the residual or scrap value, if any, of the asset, is written off at a uniform rate from its full amount at the time when the asset is acquired or provided to nothing at the end of its life, and
 - (b) that any expenditure attributable to the asset under paragraph 4(1)(b) of this Schedule is written off from the full amount of that expenditure at the time when that expenditure is first reflected in the state or nature of the asset to nothing at the end of its life,
- so that an equal daily amount is written off day by day.
- (2) Thus, calling the predictable life of a wasting asset at the time when it was acquired or provided by the person making the disposal L , the period from that time to the time of disposal $T(1)$, and, in relation to any expenditure attributable to the asset under paragraph 4(1)(b) of this Schedule, the period from the time when that expenditure

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is first reflected in the state or nature of the asset to the said time of disposal T(2), there shall be excluded from the computation under this Schedule—

- (a) out of the expenditure attributable to the asset under paragraph 4(1)(a) of this Schedule a fraction

$$\frac{T(1)}{L}$$

of an amount equal to the amount of that expenditure minus the residual or scrap value, if any, of the asset, and

- (b) out of the expenditure attributable to the asset under paragraph 4(1)(b) of this Schedule a fraction

$$\frac{T(2)}{L - (T(1) - T(2))}$$

of the amount of the expenditure.

- (3) If any expenditure attributable to the asset under paragraph 4(1)(b) of this Schedule creates or increases a residual or scrap value of the asset, the provisions of subparagraph (1)(a) above shall be applied so as to take that into account.

Wasting assets qualifying for capital allowances.

- 11 (1) The last foregoing paragraph shall not apply in relation to a disposal of an asset—
- (a) which, from the beginning of the period of ownership of the person making the disposal to the time when the disposal is made, is used and used solely for the purposes of a trade, profession or vocation and in respect of which that person has claimed or could have claimed any capital allowance in respect of any expenditure attributable to the asset under paragraph (a) or paragraph (b) of paragraph 4(1) of this Schedule, or
- (b) on which the person making the disposal has incurred any expenditure which has otherwise qualified in full for any capital allowance.
- (2) In the case of the disposal of an asset which, in the period of ownership of the person making the disposal, has been used partly for the purposes of a trade, profession or vocation and partly for other purposes, or has been used for the purposes of a trade, profession or vocation for part of that period, or which has otherwise qualified in part only for capital allowances.—
- (a) the consideration for the disposal, and any expenditure attributable to the asset by paragraph (a) or paragraph (b) of paragraph 4(1) of this Schedule shall be apportioned by reference to the extent to which that expenditure qualified for capital allowances, and
- (b) the computation under this Schedule shall be made separately in relation to the apportioned parts of the expenditure and consideration, and
- (c) paragraph 10 of this Schedule shall not apply for the purposes of the computation in relation to the part of the consideration apportioned to use for the purposes of the trade, profession or vocation, or to the expenditure qualifying for capital allowances, and
- (d) if an apportionment of the consideration for the disposal has been made for the purposes of making any capital allowance to the person making the disposal or for the purpose of making any balancing charge on him, that apportionment shall be employed for the purposes of this paragraph, and
- (e) subject to paragraph (d) above, the consideration for the disposal shall be apportioned for the purposes of this paragraph in the same proportions as

the expenditure attributable to the asset is apportioned under paragraph (a) above.

Premiums under policies of insurance.

- 12 Without prejudice to the provisions of paragraph 5 of this Schedule, there shall be excluded from the sums allowable as a deduction in the computation under this Schedule of the gain accruing to a person on the disposal of an asset any premiums or other payments made under a policy of insurance of the risk of any kind of damage or injury to, or loss or depreciation of, the asset.

Compensation and insurance money.

- 13 (1) If the recipient so claims, receipt of a capital sum within paragraph (a), (b), (c) or (d) of section 22(3) of this Act derived from an asset which is not lost or destroyed shall not be treated for the purposes of this Part of this Act as a disposal of the asset if—
- (a) the capital sum is wholly applied in restoring the asset, or
 - (b) the capital sum is applied in restoring the asset except for a part of the capital sum which is not reasonably required for the purpose and which is small as compared with the whole capital sum, or
 - (c) the amount of the capital sum is small, as compared with the value of the asset,
- but, if the receipt is not treated as a disposal, all sums which would, if the receipt had been so treated, have been brought into account as consideration for that disposal in the computation under this Schedule of a gain accruing on the disposal shall be deducted from any expenditure allowable under this Schedule as a deduction in computing a gain on the subsequent disposal of the asset.
- (2) If, in a case not falling within sub-paragraph (1)(b) above, a part of a capital sum within paragraph (a) or paragraph (b) of section 22(3) of this Act derived from an asset which is not lost or destroyed is applied in restoring the asset, then if the recipient so claims, that part of the capital sum shall not be treated as consideration for the disposal deemed to be effected on receipt of the capital sum but shall be deducted from any expenditure allowable under this Schedule as a deduction in computing a gain on the subsequent disposal of the asset.
- (3) If an asset is lost or destroyed and a capital sum received by way of compensation for the loss or destruction, or under a policy of insurance of the risk of the loss or destruction, is within one year of receipt, or such longer period as the inspector may allow, applied in acquiring an asset in replacement of the asset lost or destroyed the owner shall if he so claims be treated for the purposes of this Part of this Act—
- (a) as if the consideration for the disposal of the old asset were (if otherwise of a greater amount) of such amount as would secure that on the disposal neither a loss nor a gain accrues to him, and
 - (b) as if the amount of the consideration for the acquisition of the new asset were reduced by the excess of the amount of the capital sum received by way of compensation or under the policy of insurance, together with any residual or scrap value, over the amount of the consideration which he is treated as receiving under paragraph (a) above.
- (4) A claim shall not be made under sub-paragraph (3) above if part only of the capital sum is applied in acquiring the new asset but if all of that capital sum except for a part which is less than the amount of the gain (whether all chargeable gain or not)

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accruing on the disposal of the old asset is so applied, then the owner shall if he so claims be treated for the purposes of this Part of this Act—

- (a) as if the amount of the gain so accruing were reduced to the amount of the said part (and, if not all chargeable gain, with a proportionate reduction in the amount of the chargeable gain), and
- (b) as if the amount of the consideration for the acquisition of the new asset were reduced by the amount by which the gain is reduced under paragraph (a) of this sub-paragraph.

(5) This paragraph shall not apply in relation to a wasting asset.

Consideration due after time of disposal.

- 14 (1) If the consideration, or part of the consideration, taken into account in the computation under this Schedule is payable by instalments over a period beginning not earlier than the time when the disposal is made, being a period exceeding eighteen months, the chargeable gain (or allowable loss) accruing on the disposal shall be regarded for all the purposes of this Part of this Act as accruing in proportionate parts in the year of assessment in which the disposal is made and in each of the subsequent years of assessment down to and including the year of assessment in which the last instalment is payable.
- (2) The proportionate parts to be regarded as accruing in the respective years of assessment shall correspond to the proportions of the amounts of the instalments of consideration payable in those respective years of assessment.
- (3) The time in the year or accounting period when any such part of a chargeable gain or allowable loss is deemed to accrue under this paragraph shall be the last day in that year of assessment.
- (4) Sub-paragraph (1) above shall not apply to any part of the consideration which has effectively passed to the person making the disposal by way of a loan made to that person by the other party to the transaction.
- (5) In the computation under this Schedule consideration for the disposal shall be brought into account without any discount for postponement of the right to receive any part of it and, in the first instance, without regard to a risk of any part of the consideration being irrecoverable or to the right to receive any part of the consideration being contingent; and if any part of the consideration so brought into account is subsequently shown to the satisfaction of the inspector to be irrecoverable, such adjustment, whether by way of discharge or repayment of tax or otherwise, shall be made as is required in consequence.
- (6) This paragraph shall not be taken as applying this Part of this Act in relation to any disposal of an asset on or before 6th April 1965 so as to make a gain accruing on that disposal a chargeable gain.

Contingent liabilities.

- 15 (1) In the first instance no allowance shall be made in the computation under this Schedule—
- (a) in the case of a disposal by way of assigning a lease of land or other property, for any liability remaining with, or assumed by, the person making the disposal by way of assigning the lease which is contingent on a default in

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- respect of liabilities thereby or subsequently assumed by the assignee under the terms and conditions of the lease,
- (b) for any contingent liability of the person making the disposal in respect of any covenant for quiet enjoyment or other obligation assumed as vendor of land, or of any estate or interest in land, or as a lessor,
 - (c) for any contingent liability in respect of a warranty or representation made on a disposal by way of sale or lease of any property other than land.
- (2) If it is subsequently shown to the satisfaction of the inspector that any such contingent liability has become enforceable, and is being or has been enforced such adjustment, whether by way of discharge or repayment of tax or otherwise, shall be made as is required in consequence.

Expenses of sale and transfer in administration of estates and trusts.

- 16 (1) In computing under this Schedule the gain accruing on a disposal of assets deemed to be made by an individual on his death, any expenditure within paragraph 4(2) of this Schedule incurred in relation to the actual disposition by the personal representatives of those assets, whether by way of sale or by way of disposition to legatees, shall, if the personal representatives so claim, be allowable as a deduction in the computation.
- (2) In the case of a gain accruing to a person on the disposal of, or of a right or interest in or over, an asset to which he became absolutely entitled as legatee or as against the trustees of settled property—
- (a) any "expenditure within paragraph 4(2) of this Schedule incurred by him in relation to the transfer of the asset to him by the personal representatives or trustees, and
 - (b) except so far as taken into account under sub-paragraph (1) above, any such expenditure incurred in relation to the transfer of the asset by the personal representatives or trustees,
- shall be allowable as a deduction in the computation under this Schedule of the gain accruing to that person on the disposal.

Expenditure reimbursed out of public money.

- 17 There shall be excluded from the computation under this Schedule any expenditure which has been or is to be met directly or indirectly by the Crown or by any Government, public or local authority whether in the United Kingdom or elsewhere.

Surtax in respect of shortfall in distributions of close company etc.

- 18 (1) If in pursuance of section 249 of the Income Tax Act 1952 (under which, as extended by section 78(7) of this Act, individuals may be assessed to surtax in respect of sums apportioned under Chapter III of Part IX of the Income Tax Act 1952 or under Part IV of this Act) a person is assessed to surtax then in the computation under this Schedule of the gain accruing on a disposal by him of any shares forming part of his interest in the company to which the relevant apportionment relates the amount of the surtax paid by him, so far as attributable to those shares, shall be allowable as a deduction.
- (2) The foregoing paragraph shall not apply in relation to surtax charged in respect of undistributed income which has, before the disposal, been subsequently distributed and is then exempt from surtax by virtue of subsection (5) of the said section 249.

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- (3) For the purposes of this paragraph the income assessed to surtax shall be the highest part of the individual's income for the year of assessment in question, but so that if the highest part of the said income is taken into account under this paragraph in relation to an assessment to surtax the next highest part shall be taken into account in relation to any other relevant assessment, and so on.
- (4) For the purpose of identifying shares forming part of an interest in a company with shares subsequently disposed of which are of the same class, and in the same company, shares bought at an earlier time shall be deemed to have been disposed of before shares bought at a later time.
- (5) The provisions of this paragraph shall be construed as if this paragraph formed part of the said section 249.

Woodlands.

- 19 (1) (a) Consideration for the disposal of trees standing or felled or cut on land assessed to income tax or corporation tax under Schedule B, and
 - (b) notwithstanding the provisions of section 22(3) of this Act, capital sums received under a policy of insurance in respect of the destruction of or damage or injury to trees by fire or other hazard on such land,

shall be excluded from the computation under this Schedule of the gain accruing on the disposal if the person making the disposal is the person assessed to the tax under Schedule B.
- (2) In the computation under this Schedule so much of the cost of woodland in the United Kingdom shall be disregarded as is attributable to trees growing on the land.
- (3) In the computation under this Schedule of the gain accruing on a disposal of woodland in the United Kingdom so much of the consideration for the disposal as is attributable to trees growing on the land shall be excluded.
- (4) References in this paragraph to trees include references to saleable underwood.

Foreign tax.

- 20 Subject to the provisions of this Part of this Act as regards double taxation relief the tax chargeable under the law of any country outside the United Kingdom on the disposal of an asset which is borne by the person making the disposal shall be allowable as a deduction in the computation under this Schedule.

Supplemental.

- 21 (1) No deduction shall be allowable in a computation under this Schedule more than once from any sum or from more than one sum.
- (2) References in this Schedule to sums taken into account as receipts or as expenditure in computing profits or gains or losses for the purposes of income tax shall include references to sums which would be so taken into account but for the fact that any profits or gains of a trade, profession, employment or vocation are not chargeable to income tax or that losses are not allowable for those purposes.

- (3) In this Part of this Schedule references to income or profits charged or chargeable to tax include references to income or profits taxed or as the case may be taxable by deduction at source.
- (4) For the purposes of any computation under this Schedule any necessary apportionments shall be made of any consideration or of any expenditure and the method of apportionment adopted shall, subject to the express provisions of this Schedule, be such method as appears to the inspector or on appeal the Commissioners concerned to be just and reasonable.
- (5) In this Schedule " capital allowance " and " renewals allowance " have the meanings given by sub-paragraphs (4) and (5) of paragraph 6 of this Schedule.

PART II

ASSETS HELD ON 6TH APRIL 1965.

Quoted securities.

- 22 (1) This paragraph applies—
- (a) to shares and securities which on 6th April 1965 have quoted market values on a recognised stock exchange in the United Kingdom or elsewhere, or which have had such quoted market values at any time in the period of six years ending on 6th April 1965, and
 - (b) to rights of unit holders in any unit trust scheme (as defined in section 26(1) of the Prevention of Fraud (Investments) Act 1958 or section 22 of the Prevention of Fraud (Investments) Act (Northern Ireland) 1940) the prices of which are published daily by the managers of the scheme.
- (2) For the purposes of this Part of this Act, including Part I of this Schedule, it shall be assumed, wherever relevant, that any assets to which this paragraph applies were sold by the owner, and immediately re-acquired by him, at their market value on 6th April 1965.
- (3) For the purpose of ascertaining the market value of any shares or securities in accordance with sub-paragraph (2) above—
- (a) section 44(3)(a) of this Act shall have effect as if for the words " one-quarter " there were substituted the words " one-half " , and as between the amount under paragraph (a) and the amount under paragraph (b) of the said section 44(3) the higher, and not the lower, amount shall be chosen ;
 - (b) section 44(4) of this Act shall have effect as if for the reference to an amount equal to the buying price there were substituted a reference to an amount half-way between the buying and selling prices ;
 - (c) where the market value of any shares or securities not within the said section 44(3) falls to be ascertained by reference to a pair of prices quoted on a stock exchange, an adjustment shall be made so as to increase the market value by an amount corresponding to that by which any market value is increased under paragraph (a) above.
- (4) Sub-paragraph (2) above shall not apply in relation to a disposal of assets—
- (a) if on the assumption in that sub-paragraph a gain would accrue on that disposal to the person making the disposal and either a smaller gain or a loss

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would so accrue (computed in accordance with the provisions of Part I of this Schedule) if the said sub-paragraph (2) did not apply, or

- (b) if on the assumption in the said sub-paragraph (2) a loss would so accrue and either a smaller loss or a gain would accrue if the said sub-paragraph (2) did not apply,

and accordingly the amount of the gain or loss accruing on the disposal shall be computed without regard to the provisions of this Part of this Schedule except that in a case where this sub-paragraph would otherwise substitute a loss for a gain or a gain for a loss it shall be assumed, in relation to the disposal, that the relevant assets were sold by the owner, and immediately re-acquired by him, for a consideration such that, on the disposal, neither a gain nor a loss accrued to the person making the disposal.

- (5) This paragraph shall not apply in relation to a disposal of shares or securities of a company by a person to whom those shares were issued as an employee either of the company or of some other person on terms which restrict his rights to dispose of them.
- (6) For the purpose of—
- (a) identifying shares or securities held on 6th April 1965 with shares previously acquired, and
- (b) identifying the shares or securities held on that date with shares or securities subsequently disposed of, and distinguishing them from shares or securities acquired subsequently,

so far as that identification is needed for the purposes of sub-paragraph (4) above, and so far as the shares or securities are of the same class, shares or securities acquired at an earlier time shall be deemed to be disposed of before shares or securities acquired at a later time.

Sales of land in United Kingdom reflecting development value.

- 23 (1) This paragraph shall apply in relation to a disposal of an asset which is land in the United Kingdom, or an estate or interest in land in the United Kingdom—
- (a) if, but for this paragraph, the expenditure allowable as a deduction in computing under this Schedule the gain accruing on the disposal would include any expenditure incurred before 6th April 1965, and
- (b) if the consideration for the asset acquired on the disposal exceeds what its market value would be if, immediately before the disposal, it had become unlawful to carry out any development in, on or over the land other than development of the kinds specified in Schedule 3 to the Town and Country Planning Act 1962 (for land in England and Wales or Northern Ireland) or Schedule 3 to the Town and Country Planning (Scotland) Act 1947 (for land in Scotland).

In this sub-paragraph " development " has, in relation to land in England or Wales or Northern Ireland, the meaning given by the Town and Country Planning Act 1962 and, in relation to land in Scotland, the meaning given by the Town and Country Planning (Scotland) Act 1947.

- (2) For the purposes of this Part of this Act, including Part I of this Schedule, it shall be assumed in relation to the disposal and, if it is a part disposal, in relation to any subsequent disposal of the asset which is land in the United Kingdom or an estate or interest in land in the United Kingdom that that asset was sold by the person making

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the disposal, and immediately re-acquired by him, at its market value on 6th April 1965.

- (3) Sub-paragraph (2) above shall apply also in relation to any prior part disposal of the asset and, if tax has been charged, or relief allowed, by reference to that part disposal on a different footing, all such adjustments shall be made, whether by way of assessment or discharge or repayment of tax as are required to give effect to the provisions of this sub-paragraph.
- (4) Sub-paragraph (2) above shall not apply in relation to a disposal of assets—
- (a) if on the assumption in that sub-paragraph a gain would accrue on that disposal to the person making the disposal and either a smaller gain or a loss would so accrue (computed in accordance with the provisions of Part I of this Schedule) if the said sub-paragraph (2) did not apply, or
 - (b) if on the assumption in the said sub-paragraph (2) a loss would so accrue and either a smaller loss or a gain would accrue if the said sub-paragraph (2) did not apply,

and accordingly the amount of the gain or loss accruing on the disposal shall be computed without regard to the provisions of this Part of this Schedule except that in a case where this sub-paragraph would otherwise substitute a loss for a gain or a gain for a loss it shall be assumed, in relation to the disposal, that the relevant assets were sold by the owner, and immediately re-acquired by him, for a consideration such that, on the disposal, neither a gain nor a loss accrued to the person making the disposal.

Apportionment by reference to straightline growth of gain or loss over period of ownership.

- 24 (1) This paragraph applies subject to the provisions of the last foregoing two paragraphs.
- (2) On the disposal of assets by a person whose period of ownership began before 6th April 1965 only so much of any gain accruing on the disposal as is under this paragraph to be apportioned to the period beginning with 6th April 1965 shall be a chargeable gain.
- (3) Subject to the following provisions of this Schedule, the gain shall be assumed to have grown at a uniform rate from nothing at the beginning of the period of ownership to its full amount at the time of the disposal so that, calling the part of that period before 6th April 1965 P, and the time beginning with 6th April 1965 and ending with the time of the disposal T, the fraction of the gain which is a chargeable gain is

$$\frac{T}{P + T}$$

- (4) If any of the expenditure which is allowable as a deduction in the computation under this Schedule of the gain is within paragraph 4(1)(b) of this Schedule—
- (a) the gain shall be attributed to the expenditure, if any, allowable under paragraph (a) of the said paragraph 4(1) as one item of expenditure, and to the respective items of expenditure under the said paragraph 4(1)(b) in proportion to the respective amounts of those items of expenditure,
 - (b) sub-paragraph (3) of this paragraph shall apply to the part of the gain attributed to the expenditure under the said paragraph 4(1)(c),
 - (c) each part of the gain attributed to the items of expenditure under the said paragraph 4(1)(b) shall be assumed to have grown at a uniform rate from nothing at the time when the relevant item of expenditure was first reflected

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in the value of the asset to the full amount of that part of the gain at the time of the disposal,

so that, calling the respective proportions of the gain $E(f)$, $E(1)$, $E(2)$ and so on (so that they add up to unity) and calling the respective periods from the times when the items under the said paragraph 4(1)(b) were reflected in the value of the asset to 5th April 1965 $P(1)$, $P(2)$ and so on, and employing also the abbreviations in sub-paragraph (3) above, the fraction of the gain which is a chargeable gain is

$$E(0) \frac{T}{P+T} + E(1) \frac{T}{P(1)+T} + E(2) \frac{T}{P(2)+T}$$

and so on.

- (5) In a case within sub-paragraph (4) above where there is no initial expenditure (that is no expenditure under paragraph 4(1)(a) of this Schedule) or that initial expenditure is, compared with any item of expenditure under paragraph 4(1)(b), disproportionately small having regard to the value of the asset immediately before the subsequent item of expenditure was incurred, the part of the gain which is not attributable to the enhancement of the value of the asset due to any item of expenditure under the said paragraph 4(1)(b) shall be deemed to be attributed to expenditure incurred at the beginning of the period of ownership and allowable under paragraph 4(1)(a), and the part or parts of the gain attributable to expenditure under paragraph 4(1)(b) shall be reduced accordingly.
- (6) The beginning of the period over which a gain, or a part of a gain, is, under sub-paragraphs (3) and (4) above, to be treated as growing shall not be earlier than 6th April 1945, and this sub-paragraph shall have effect notwithstanding any provision in this Schedule or elsewhere in this Part of this Act.
- (7) If in pursuance of paragraph 7 in Part I of this Schedule an asset's market value at a date before 6th April 1965 is to be ascertained sub-paragraphs (3) to (5) above shall have effect as if that asset had been on that date sold by the owner, and immediately re-acquired by him, at that market value.
- (8) If in pursuance of the said paragraph 7 an asset's market value at a date on or after 6th April 1965 is to be ascertained sub-paragraphs (3) to (5) above shall have effect as if—
- (a) the asset on that date had been sold by the owner, and immediately re-acquired by him, at that market value, and
 - (b) accordingly, the computation of any gain on a subsequent disposal of that asset shall be computed—
 - (i) by apportioning in accordance with this paragraph the gain or loss over a period ending on the said date (the date of the part disposal), and
 - (ii) by bringing into account the entire gain or loss over the period from the date of the part disposal to the date of subsequent disposal.
- (9) For the purposes of this paragraph the period of ownership of an asset shall, where under paragraph 8 of this Schedule account is to be taken of expenditure in respect of an asset from which the asset disposed of was derived, or where it would so apply if there were any relevant expenditure in respect of that other asset, include the period of ownership of that other asset.

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- (10) If under this paragraph part only of a gain is a chargeable gain, the fraction in section 29(3) of this Act shall be applied to that part, instead of to the whole of the gain.

Election for valuation on 6th April 1965.

- 25 (1) If the person making a disposal so elects by notice in writing to the inspector within two years from the date of the disposal paragraph 24 of this Schedule shall not apply in relation to that disposal and it shall be assumed, both for the purposes of computing under this Schedule the gain accruing to that person on the disposal, and for all other purposes both in relation to that person and other persons, that the assets disposed of, and any assets of which account is to be taken in relation to the disposal under paragraph 8 of this Schedule, being assets which were in the ownership of the said person on 6th April 1965, were on that date sold, and immediately re-acquired, by him at their market value on the said 6th April 1965.

- (2) Sub-paragraph (1) shall not apply in relation to a disposal of assets if on the assumption in that sub-paragraph a loss would accrue on that disposal to the person making the disposal and either a smaller loss or a gain would accrue if the said sub-paragraph (1) did not apply, but in a case where this sub-paragraph would otherwise substitute a gain for a loss it shall be assumed, in relation to the disposal that the relevant assets were sold by the owner, and immediately re-acquired by him, for a consideration such that, on the disposal, neither a gain nor a loss accrued to the person making the disposal.

The displacement of sub-paragraph (1) above by this sub-paragraph shall not be taken as bringing paragraph 24 of this Schedule into operation.

- (3) For the avoidance of doubt it is hereby declared that an election under this paragraph is irrevocable.
- (4) An election may not be made under this paragraph as respects, or in relation to, an asset the market value of which at a date on or after 6th April 1965, and before the date of the disposal to which the election relates, is to be ascertained in pursuance of paragraph 7 in Part I of this Schedule.

Shares, commodities, etc.

- 26 (1) This paragraph has effect as respects shares held by any person on 6th April 1965 other than shares which are to be treated under this Part of this Act as if disposed of and immediately re-acquired by him on that date.
- (2) Paragraph 2 of Schedule 7 to this Act shall not apply in relation to the shares while that person continues to hold them and, in particular, shall not apply in relation to a disposal of the shares by him.
- (3) For the purpose of—
- (a) identifying the shares so held on 6th April 1965 with shares previously acquired, and
 - (b) identifying the shares so held on that date with shares subsequently disposed of, and distinguishing them from shares acquired subsequently,
- so far as the shares are of the same class shares bought at an earlier time shall be deemed to have been disposed of before shares bought at a later time.

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- (4) Shares shall not be treated for the purposes of this paragraph as being of the same class unless if dealt with on a recognised stock exchange in the United Kingdom or elsewhere they would be so treated, but shall be treated in accordance with this paragraph notwithstanding that they are identified in a different way by a disposal or by the transfer or delivery giving effect to it.
- (5) This paragraph shall not apply to any shares the disposal of which by the said person is chargeable to Case VII of Schedule D (that is to say where the acquisition and disposal of the shares by him is in circumstances such that a gain accruing from it is chargeable to income tax under Case VII of Schedule D or that, if a gain had so accrued, it would have been so chargeable), and for the purposes of this sub-paragraph the shares so disposed of shall be identified with shares acquired by that person as provided by paragraph 8 of Schedule 9 to the Finance Act 1962.
- (6) This paragraph, without sub-paragraph (4), shall apply in relation to any assets, other than shares, which are of a nature to be dealt with without identifying the particular assets disposed of or acquired.

Reorganisation of share capital, conversion of securities, etc.

- 27 (1) For the purposes of this Part of this Act, including Part I of this Schedule, it shall be assumed that any shares or securities held by a person on 6th April 1965 (identified in accordance with the last foregoing paragraph) which, in accordance with paragraph 4 of Schedule 7 to this Act as extended by paragraphs 5 and 6 of that Schedule, are to be regarded as being or forming part of a new holding were sold and immediately re-acquired by him on 6th April 1965 at their market value on that date.
- (2) If, at any time after 5th April 1965, a person comes to have, in accordance with the said paragraph 4 as so extended, a new holding sub-paragraphs (3) to (5) of paragraph 24 of this Schedule shall have effect as if—
 - (a) the new holding had at that time been sold by the owner, and immediately reacquired by him, at its market value at that time, and
 - (b) accordingly, the amount of any gain on a disposal of the new holding or any part of it shall be computed—
 - (i) by apportioning in accordance with the said paragraph 24 the gain or loss over a period ending at the said time, and
 - (ii) by bringing into account the entire gain or loss over the period from that time to the date of the disposal.
- (3) This paragraph shall not apply in relation to a reorganisation of a company's share capital if the new holding differs only from the original shares in being a different number, whether greater or less, of shares of the same class as the original shares.

Capital allowances.

- 28 If under any provision in this Part of this Schedule it is to be assumed that any asset was on 6th April 1965 sold by the owner, and immediately reacquired by him, paragraph 6 of this Schedule shall apply in relation to any capital allowance or renewals allowance as defined in that paragraph, made in respect of the expenditure actually incurred by the owner in providing the asset, and so made for the year 1965-66 or for any subsequent year of assessment, as if it were made in respect of the expenditure which, on the said assumption, was incurred by him in re-acquiring the asset on 7th April 1965.

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Assets transferred to close companies.

- 29 (1) This paragraph has effect—
- (a) where at any time, including a time before 7th April 1965, any of the persons having control of a close company, or any person who (in the terms of paragraph 21 of Schedule 7 to this Act) is connected with a person having control of a close company has transferred assets to the company, and
 - (b) paragraph 24 of this Schedule applies in relation to a disposal by one of the persons having control of the company of shares or securities in the company, or in relation to a disposal by a person having, up to the time of disposal, a substantial holding of shares or securities in the company, being in either case a disposal after the transfer of the assets.
- (2) So far as the gain accruing to the said person on the disposal of the shares is attributable to a profit on the assets so transferred, the period over which the gain is to be treated under the said paragraph 24 as growing at a uniform rate shall begin with the time when the assets were transferred to the company, and accordingly a part of a gain attributable to a profit on assets transferred on or after 6th April 1965 shall all be a chargeable gain.
- (3) This paragraph shall not apply where a loss, and not a gain, accrues on the disposal.
- (4) In this paragraph "close company" means a close company as defined in Schedule 18 to this Act.

Husbands and wives to be treated as one person.

- 30 Where paragraph 20 of Schedule 7 to this Act is applied in relation to a disposal of an asset by a man to his wife, or by a man's wife to him, then in relation to a subsequent disposal of the asset (not within the said paragraph 20) the one making the disposal shall be treated for the purposes of this Part of this Schedule as if the other's acquisition or provision of the asset had been his or her acquisition or provision of it.

Supplemental.

- 31 So far as the provisions of this Part of this Act as modified by this Part of this Schedule require the computation of a gain by reference to events before 6th April 1965 all those provisions including Part I of this Schedule, and Schedules 7 and 8 and the provisions fixing the amount of the consideration deemed to be given on a disposal or acquisition, shall apply except so far as expressly excluded.

SCHEDULE 7

Section 22.

CAPITAL GAINS: MISCELLANEOUS RULES.

Appropriations to and from stock in trade.

- 1 (1) Subject to sub-paragraph (3) below, where an asset acquired by a person otherwise than as trading stock of a trade carried on by him is appropriated by him for the purposes of the trade as trading stock (whether on the commencement of the trade or otherwise) and, if he had then sold the asset for its market value, a gain or loss would

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have accrued to him, he shall be treated as having thereby disposed of the asset by selling it for its then market value.

- (2) Where an asset forming part of the trading stock of a person's trade is appropriated by him for any other purpose, or is retained by him on his ceasing to carry on the trade, he shall be treated as having acquired it for a consideration equal to the amount brought into the accounts of the trade in respect of it for tax purposes on the appropriation or on his ceasing to carry on the trade, as the case may be.
- (3) Sub-paragraph (1) above shall not apply in relation to a person's appropriation of an asset for the purposes of a trade if he is chargeable to income tax in respect of the profits of the trade under Case I of Schedule D, and elects that instead the market value of the asset at the time of the appropriation shall, in computing the profits of the trade for purposes of tax, be treated as reduced by the amount of the gain or increased by the amount of the loss referred to in that sub-paragraph, and where that sub-paragraph does not apply by reason of such an election, the profits of the trade shall be computed accordingly:

Provided that if a person making an election under this sub-paragraph is at the time of the appropriation carrying on the trade in, partnership with others, the election shall not have effect unless concurred in by the others.

Dealings in marketable securities, commodities, etc.

- 2 (1) Any number of shares of the same class held by one person in one capacity shall for the purposes of this Part of this Act be regarded as indistinguishable parts of a single asset (in this paragraph referred to as a holding) growing or diminishing on the occasions on which additional shares of the class in question are acquired, or some of the shares of the class in question are disposed of.
- (2) Without prejudice to the generality of the foregoing sub-paragraph, a disposal of shares in a holding, other than the disposal outright of the entire holding, is a disposal of part of an asset and the provisions of this Part of this Act relating to the computation of a gain accruing on a disposal of part of an asset shall apply accordingly.
- (3) Shares shall not be treated for the purposes of this paragraph as being of the same class unless they are so treated by the practice of a recognised stock exchange in the United Kingdom or elsewhere or would be so treated if dealt with on such a stock exchange, but shares shall be treated in accordance with this paragraph notwithstanding that they are identified in some other way by the disposal or by the transfer or delivery giving effect to it.
- (4) A person's holding shall not include any shares the disposal of which by him is chargeable to Case VII of Schedule D (that is to say where the acquisition and disposal of the shares by him is in circumstances such that a gain accruing from it is or would have been chargeable to income tax under Case VII of Schedule D), and for the purposes of this sub-paragraph the shares so disposed of shall be identified with shares acquired by that person as provided by paragraph 8 of Schedule 9 to the Finance Act 1962.
- (5) This paragraph shall apply separately in relation to any shares held by a person to whom they were issued as an employee of the company or of any other person on terms which restrict his rights to dispose of them, so long as those terms are in force, and, while applying separately to any such shares, shall have effect as if the owner

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held them in a capacity other than that in which he holds any other shares of the same class.

- (6) Nothing in this paragraph shall be taken as affecting the manner in which the market value of any asset is to be ascertained.
- (7) This paragraph, without sub-paragraph (3), shall apply in relation to a disposal of any assets as they apply in relation to a disposal of shares, where the assets are of a nature to be dealt in without identifying the particular assets disposed of or acquired.
- (8) This paragraph applies in relation to securities of a company as it applies in relation to shares.

Capital distributions by companies.

- 3 (1) Where a person receives or becomes entitled to receive in respect of shares in a company any capital distribution from the company (other than a new holding as defined in paragraph 4 of this Schedule) he shall be treated as if he had in consideration of that capital distribution disposed of an interest in the shares.
- (2) If the inspector is satisfied that the amount of any capital distribution is small, as compared with the value of the shares in respect of which it is made, and so directs, the occasion of the capital distribution shall not be treated for the purposes of this Part of this Act as a disposal of the asset, but the amount or value of the capital distribution shall be deducted from any expenditure allowable under any Part of this Act as a deduction in computing a gain or loss on the disposal of the shares by the person receiving or becoming entitled to receive the distribution of capital.
- (3) A person who is dissatisfied with the refusal of the inspector to give a direction under this paragraph may appeal to the Commissioners having jurisdiction on an appeal against an assessment to tax in respect of a gain accruing on the disposal.
- (4) In this paragraph " capital distribution " means any distribution from a company, including a distribution in the course of dissolving or winding up the company, in money or money's worth except a distribution which in the hands of the recipient constitutes income for the purposes of income tax.

Reorganisation of share capital, conversion of securities, etc.

- 4 (1) This paragraph shall apply in relation to any reorganisation or reduction of a company's share capital; and for the purposes of this paragraph—
 - (a) references to a reorganisation of a company's share capital include—
 - (i) any case where persons are, whether for payment or not, allotted shares in or debentures of the company in respect of and in proportion to (or as nearly as may be in proportion to) their holdings of shares in the company or of any class of shares in the company; and
 - (ii) any case where there are more than one class of share and the rights attached to shares of any class are altered ; and
 - (b) " original shares " means shares held before and concerned in the reorganisation or reduction of capital, and " new holding " means, in relation to any original shares, the shares in and debentures of the company which as a result of the reorganisation or reduction of capital represent the original shares (including such, if any, of the original shares as remain).

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(2) Subject to the following sub-paragraphs, a reorganisation or reduction of a company's share capital shall not be treated as involving any disposal of the original shares or any acquisition of the new holding or any part of it, but the original shares (taken as a single asset) and the new holding (taken as a single asset) shall be treated as the same asset acquired as the original shares were acquired.

(3) Where, on a reorganisation or reduction of a company's share capital, a person gives or becomes liable to give any consideration for his new holding or any part of it, that consideration shall in relation to any disposal of the new holding or any part of it be treated as having been given for the original shares, and if the new holding or part of it is disposed of with a liability attaching to it in respect of that consideration, the consideration given for the disposal shall be adjusted accordingly:

Provided that there shall not be treated as consideration given for the new holding or any part of it any surrender, cancellation or other alteration of the original shares or of the rights attached thereto, or any consideration consisting of any application in paying up the new holding or any part of it of assets of the company or of any dividend or other distribution declared out of those assets but not made.

(4) Where, on a reorganisation or reduction of a company's share capital, a person receives (or is deemed to receive), or becomes entitled to receive, any consideration, other than the new holding, for the disposal of an interest in the original shares, and in particular—

- (a) where under paragraph 3 of this Schedule he is to be treated as if he had in consideration of a capital distribution disposed of an interest in the original shares, or
- (b) where he receives (or is deemed to receive) consideration from other shareholders in respect of a surrender of rights derived from the original shares,

he shall be treated as if the new holding resulted from his having for that consideration disposed of an interest in the original shares (but without prejudice to the original shares and the new holding being treated in accordance with sub-paragraph (2) above as the same asset).

(5) Where for the purpose of computing the gain or loss accruing to a person from the acquisition and disposal of any part of the new holding it is necessary to apportion the cost of acquisition of any of the original shares between what is disposed of and what is retained, the apportionment shall be made by reference to market value at the date of the disposal (with such adjustment of the market value of any part of the new holding as may be required to offset any liability attaching thereto but forming part of the cost to be apportioned); and any corresponding apportionment for the purposes of sub-paragraph (4) above shall be made in like manner.

(6) Where on a reorganisation of a company's share capital a person receives or becomes entitled to receive in respect of any shares a provisional allotment of shares in or debentures of the company, then unless he neither accepts the allotment nor disposes of his rights before or after the making of the allotment, those rights shall be treated in relation to him and in relation to any person acquiring them directly or indirectly from him as if they were the shares or debentures to which they relate and as if the consideration to be given for the shares or debentures were a liability attaching to the rights.

(7) References in this paragraph to a reduction of share capital do not include the paying off of redeemable share capital, and where shares in a company are redeemed by the

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company otherwise than by the issue of shares or debentures (with or without other consideration) and otherwise than in a liquidation, the shareholder shall be treated as disposing of the shares at the time of the redemption.

- 5 (1) Subject to sub-paragraph (2) below, the last foregoing paragraph shall apply with any necessary adaptations in relation to the conversion of securities as it applies in relation to the reorganisation or reduction of a company's share capital.
- (2) If in consequence of a conversion on their redemption date of securities of one of the descriptions in Schedule 9 to this Act any securities of that description and a new holding of Government securities are, under paragraph 4(2) of this Schedule as applied by this paragraph, to be treated as the same asset acquired as the converted securities were acquired, and the adjusted purchase price (as defined in section 27(3) of this Act) of the converted securities is less than one hundred pounds then, in computing under Schedule 6 to this Act the gain accruing on the acquisition and disposal of the new holding, or any part of the new holding, there shall be added to the amount of the expenditure which is allowable as a deduction the amount of the gain which would have been exempted from being a chargeable gain by virtue of the said section 27(3) if the converted securities, or as the case may be the corresponding part of them, had been disposed of at the time of their redemption for a consideration equal to their nominal value.
- (3) For the purposes of this paragraph—
- (a) " conversion of securities " includes—
- (i) a conversion of securities of a company into shares in the company, and
 - (ii) a conversion at the option of the holder of the securities converted as an alternative to the redemption of those securities for cash, and
 - (iii) any exchange of securities effected in pursuance of any enactment (including an enactment passed after this Act) which provides for the compulsory acquisition of any shares or securities and the issue of securities or other securities instead, and
- (b) " security " includes any loan stock or similar security whether of the Government of the United Kingdom or of any other government, or of any public or local authority in the United Kingdom or elsewhere, or of any company, and whether secured or unsecured.

Company amalgamations.

- 6 (1) Subject to the following sub-paragraphs, where a company issues shares or debentures to a person in exchange for shares in or debentures of another company, paragraph 4 above shall apply with any necessary adaptations as if the two companies were the same company and the exchange were a reorganisation of its share capital.
- (2) This paragraph shall apply only where the company issuing the shares or debentures has or in consequence of the exchange will have control of the other company, or where the first-mentioned company issues the shares or debentures in exchange for shares as the result of a general offer made to members of the other company or any class of them (with or without exceptions for persons connected with the first-mentioned company), the offer being made in the first instance on a condition such that if it were satisfied the first-mentioned company would have control of the other company.

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- 7 (1) Where under any arrangement between a company and the persons holding shares in or debentures of the company or any class of such shares or debentures, being an arrangement entered into for the purposes of or in connection with a scheme of reconstruction or amalgamation, another company issues shares or debentures to those persons in respect of and in proportion to (or as nearly as may be in proportion to) their holdings of the first-mentioned shares or debentures, but the first-mentioned shares or debentures are either retained by those persons or cancelled, then those persons shall be treated as exchanging the first-mentioned shares or debentures for those held by them in consequence of the arrangement (any shares or debentures retained being for this purpose regarded as if they had been cancelled and replaced by a new issue):

Provided that sub-paragraph (2) of the last foregoing paragraph shall not apply.

- (2) Where any scheme of reconstruction or amalgamation involves the transfer of the whole or part of a company's business to another company, and the first-mentioned company receives no part of the consideration for the transfer (otherwise than by the other company taking over the whole or part of the liabilities of the business), then the two companies shall be treated as if any assets included in the transfer were acquired by the one company from the other company for a consideration of such amount as would secure that on the disposal by way of transfer neither a gain or a loss would accrue to the company making the disposal, and for the purposes of Part II of Schedule 6 to this Act the acquiring company shall be treated as if the respective acquisitions of the assets by the other company had been the acquiring company's acquisition of them:

Provided that this sub-paragraph shall not apply in relation to an asset which, until the transfer, formed part of trading stock of a trade carried on by the company making the disposal or in relation to an asset which is acquired as trading stock for the purposes of a trade carried on by the company acquiring the asset.

- (3) In this paragraph " scheme of reconstruction or amalgamation " means a scheme for the reconstruction of any company or companies or the amalgamation of any two or more companies, and references to shares or debentures being retained include their being retained with altered rights or in an altered form, whether as the result of reduction, consolidation, division or otherwise.

Transfer of business to a company.

- 8 (1) This paragraph shall apply where a business is transferred to a company as a going concern, together with the whole assets of the business, or together with the whole of those assets other than cash, and is so transferred wholly or partly in exchange for shares issued by the company to the person transferring the business.
- (2) Subject to this paragraph any gain accruing to the person transferring the business on his disposal of any asset included in the transfer, in so far as the consideration for it consists of shares so issued, shall not be a chargeable gain ; and any such asset, and such of the shares so issued as represent the consideration for it, shall be treated as the same asset acquired as the original asset was acquired.
- (3) For the purposes of this paragraph the consideration for the transfer of the business (where it does not consist wholly of shares of a single class) shall be allocated between the transfer and any other matter for which it is given, and between the assets included in the transfer, as follows :—

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- (a) any part of the consideration consisting of liabilities of the business taken over with the business shall be treated so far as may be as consideration for the transfer, and as consideration for any cash included in the transfer; and
- (b) any part of the consideration not consisting of any such liabilities nor of shares issued as mentioned in sub-paragraph (1) above shall as far as may be—
 - (i) be treated as consideration for matters other than the transfer; and
 - (ii) so far as it is not so treated, be treated as consideration for assets in the case of which the person making the transfer is (apart from sub-paragraph (2) above) chargeable by reference to the transfer in respect of his disposal of them ; and
- (c) subject to paragraph (a) and (b) above, the consideration of any description shall (so far as necessary) be allocated between items rateably according to their amounts after taking account of any prior allocation thereto under those paragraphs.

Underwriters.

- 9
- (1) An underwriting member of Lloyd's or of an approved association of underwriters shall, subject to the following provisions of this paragraph, be treated for the purposes of this Part of this Act as absolutely entitled as against the trustees to the investments of his premiums trust fund, his special reserve fund (if any) and any other trust fund required or authorised by the rules of Lloyd's or the association in question, or required by the underwriting agent through whom his business or any part of it is carried on, to be kept in connection with the business.
 - (2) The trustees of any such fund shall, subject to the next following sub-paragraph, be assessed and charged to capital gains tax as if sub-paragraph (1) above had not been passed.
 - (3) The assessment to be made on the trustees of a fund by virtue of sub-paragraph (2) above for any year of assessment shall not take account of losses accruing in any previous year of assessment, and if for that or any other reason the tax paid on behalf of an underwriting member for any year of assessment by virtue of assessments so made exceeds the capital gains tax for which he is liable, the excess shall, on a claim by him, be repaid.

Policies of insurance.

- 10
- (1) The rights of the insured under any insurance effected in the course of a capital redemption business as denned in section 431 of the Income Tax Act 1952 shall constitute an asset on the disposal of which a gain may accrue to the person making the disposal but subject to that neither the rights of the insurer nor the rights of the insured under any policy of insurance, whether the risks insured relate to property or not, shall constitute an asset on the disposal of which a gain may accrue.
 - (2) Notwithstanding sub-paragraph (1) above, sums received under a policy of insurance of the risk of any kind of damage to, or the loss or depreciation of, assets are for the purposes of this Part of this Act, and in particular for the purposes of section 22(3) of this Act, sums derived from the assets.
 - (3) In this paragraph " policy of insurance " does not include a policy of assurance on human life.

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Debts and interests in settled property.

- 11 (1) Where a person incurs a debt to another, whether in sterling or in some other currency, no chargeable gain shall accrue to that (that is the original) creditor or his legatee on a disposal of the debt, except in the case of the debt on a security (as defined in paragraph 5 of this Schedule).
- (2) Subject to the provisions of paragraphs 5 and 6 of this Schedule (and subject to the foregoing sub-paragraph) the satisfaction of a debt or part of it (including a debt on a security as defined in paragraph 5 of this Schedule) shall be treated as a disposal of the debt or of that part by the creditor made at the time when the debt or that part is satisfied.
- (3) Where property is acquired by a creditor in satisfaction of his debt or part of it, then subject to the provisions of the said paragraphs 5 and 6 the property shall not be treated as disposed of by the debtor or acquired by the creditor for a consideration greater than its market value at the time of the creditor's acquisition of it; but if under sub-paragraph (1) of this paragraph (and in a case not falling within either of the said paragraphs 5 and 6) no chargeable gain is to accrue on a disposal of the debt by the creditor (that is the original creditor), and a chargeable gain accrues to him on a disposal by him of the property, the amount of the chargeable gain shall (where necessary) be reduced so as not to exceed the chargeable gain which would have accrued if he had acquired the property for a consideration equal to the amount of the debt or that part of it.
- (4) A loss accruing on the disposal of a debt acquired by the person making the disposal from the original creditor or his legatee at a time when the creditor or his legatee is a person connected with the person making the disposal, and so acquired either directly or by one or more purchases through persons all of whom are connected with the person making the disposal, shall not be an allowable loss.
- 12 No chargeable gain shall accrue to any person on the disposal of a right to, or to any part of—
- (a) any allowance, annuity or capital sum payable out of any superannuation fund, or under any superannuation scheme, established solely or mainly for persons employed in a profession, trade, undertaking or employment, and their dependants,
 - (b) an annuity granted otherwise than under a contract for a deferred annuity by a company as part of its business of granting annuities on human life, whether or not including instalments of capital, or an annuity granted or deemed to be granted under the Government Annuities Act 1929, or
 - (c) annual payments which are due under a covenant made by any person and which are not secured on any property.
- 13 (1) No chargeable gain shall accrue on the disposal of an interest created by or arising under a settlement (including, in particular, an annuity or life interest, and the reversion to an annuity or life interest) by the person for whose benefit the interest was created by the terms of the settlement or by any other person except one who acquired, or derives his title from one who acquired, the interest for a consideration in money or money's worth, other than consideration consisting of another interest under the settlement.
- (2) Subject to sub-paragraph (1) of this paragraph, where a person who has acquired an interest in settled property (including in particular the reversion to an annuity or life interest) becomes, as the holder of that interest, absolutely entitled as against

the trustee to any settled property, he shall be treated as disposing of the interest in consideration of obtaining that settled property (but without prejudice to any gain accruing to the trustee on the disposal of that property deemed to be effected by him under section 25(3) of this Act).

Options.

- 14 (1) Without prejudice to the provisions of section 22 of this Act, the grant of an option, and in particular—
- (a) the grant of an option in a case where the grantor binds himself to sell what he does not own, and because the option is abandoned, never has occasion to own, and
 - (b) the grant of an option in a case where the grantor binds himself to buy what, because the option is abandoned, he does not acquire,
- is the disposal of an asset (namely of the option), but subject to the following provisions of this paragraph as to treating the grant of an option as part of a larger transaction.
- (2) If an option is exercised the grant of the option and the transaction entered into by the grantor in fulfilment of his obligations under the option shall be treated as a single transaction and accordingly—
- (a) if the option binds the grantor to sell, the consideration for the option is part of the consideration for the sale, and
 - (b) if the option binds the grantor to buy, the consideration for the option shall be deducted from the cost of acquisition incurred by the grantor in buying in pursuance of his obligations under the option.
- (3) The exercise or abandonment of an option by the person for the time being entitled to exercise it shall not constitute the disposal of an asset by that person, but, if an option is exercised then the acquisition of the option (whether directly from the grantor or not) and the transaction entered into by the person exercising the option in exercise of his rights under the option shall be treated as a single transaction and accordingly—
- (a) if the option binds the grantor to sell, the cost of acquiring the option shall be part of the cost of acquiring what is sold, and
 - (b) if the option binds the grantor to buy, the cost of the option shall be treated as a cost incidental to the disposal of what is bought by the grantor of the option.
- (4) In relation to the disposal by way of transfer of an option binding the grantor to sell or buy shares or securities which have a quoted market value on a recognised stock exchange in the United Kingdom or elsewhere, the option shall be regarded as a wasting asset the life of which ends when the right to exercise the option ends, or when the option becomes valueless, whichever is the earlier, but without prejudice to the application of the provisions in Schedule 6 to this Act relating to wasting assets to other descriptions of options.
- (5) In the case of an option relating to shares or securities this paragraph shall apply subject to the provisions of paragraph 2 of this Schedule and, accordingly, the option may be regarded in relation to the grantor or in relation to the person entitled to exercise the option, as relating to part of a holding of shares or securities as defined in the said paragraph 2.
- (6) This paragraph shall apply in relation to an option binding the grantor both to sell and to buy as if it were two separate options with half the consideration attributed to each.

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- (7) In this paragraph references to an option include references to an option binding the grantor to grant a lease for a premium, or enter into any other transaction which is not a sale, and references to buying and selling in pursuance of an option shall be construed accordingly.
- (8) This paragraph shall apply in relation to a forfeited deposit of purchase money or other consideration money for a prospective purchase or other transaction which is abandoned as it applies in relation to the consideration for an option which binds the grantor to sell and which is not exercised.

Transactions involving gratuitous transfers of value derived from assets.

- 15 (1) Without prejudice to the generality of the provisions of this Part of this Act as to the transactions which are disposals of assets, any transaction which under the following sub-paragraphs is to be treated as a disposal of an asset shall be so treated (with a corresponding acquisition of an interest in the asset) notwithstanding that there is no consideration and so far as, on the assumption that the parties to the transaction were at arm's length, the party making the disposal could have obtained consideration, or additional consideration, for the disposal the transaction shall be treated as not being at arm's length and the consideration so obtainable, or the additional consideration so obtainable added to the consideration actually passing, shall be treated as the market value of what is acquired.
- (2) If a person having control of a company exercises his control so that value passes out of shares in the company owned by him or a person with whom he is connected, or out of rights over the company exercisable by him or by a person with whom he is connected, and passes into other shares in or rights over the company, that shall be a disposal of the shares or rights out of which the value passes by the person by whom they were owned or exercisable.
- (3) If, after a transaction which results in the owner of land or of any other description of property becoming the lessee of the property there is any adjustment of the rights and liabilities under the lease, whether or not involving the grant of a new lease, which is as a whole favourable to the lessor, that shall be a disposal by the lessee of an interest in the property.
- (4) If an asset is subject to any description of right or restriction the extinction or abrogation, in whole or in part, of the right or restriction by the person entitled to enforce it shall be a disposal by him of the right or restriction.

Valuation of assets disposed of in a series of transactions.

- 16 If a person is given, or acquires from one or more persons with whom he is connected, by way of two or more gifts or other transactions, assets of which the aggregate market value, when considered separately in relation to the separate gifts or other transactions, is less than their aggregate market value when considered together, then for the purposes of this Part of this Act their market value, where relevant, shall be taken to be the larger market value, to be apportioned rateably to the respective disposals.

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Transactions between connected persons.

- 17 (1) This paragraph shall apply where a person acquires an asset and the person making the disposal is connected with him.
- (2) Without prejudice to the generality of section 22(4) of this Act the person acquiring the asset and the person making the disposal shall be treated as parties to a transaction otherwise than by way of a bargain made at arm's length.
- (3) If on the disposal a loss accrues to the person making the disposal, it shall not be deductible except from a chargeable gain accruing to him on some other disposal of an asset to the person acquiring the asset mentioned in sub-paragraph (1) above, being a disposal made at a time when they are connected persons.
- (4) Where the asset mentioned in sub-paragraph (1) above is an option to enter into a sale or other transaction given by the person making the disposal a loss accruing to the person acquiring the asset shall not be an allowable loss unless it accrues on a disposal of the option at arm's length to a person who is not connected with him.
- (5) In a case where the asset mentioned in sub-paragraph (1) above is subject to any right or restriction enforceable by the person making the disposal, or by a person connected with him, then (the amount of the consideration for the acquisition being, in accordance with sub-paragraph (2) of this paragraph, deemed to be equal to the market value of the asset) that market value shall be—
- (a) what its market value would be if not subject to the right or restriction, minus—
 - (b) the market value of the right or restriction or the amount by which its extinction would enhance the value of the asset to its owner, whichever is the less:

Provided that if the right or restriction is of such a nature that its enforcement would or might effectively destroy or substantially impair the value of the asset without bringing any countervailing advantage either to the person making the disposal or a person connected with him or is an option or other right to acquire the asset or, in the case of incorporeal property, is a right to extinguish the asset in the hands of the person giving the consideration by forfeiture or merger or otherwise, that market value of the asset shall be determined, and the amount of the gain accruing on the disposal shall be computed, as if the right or restriction did not

This sub-paragraph shall not apply to a right of forfeiture or other right exercisable on breach of a covenant contained in a lease of land or other property, and shall not apply to any right or restriction under a mortgage or other charge.

Shares in close company transferring assets at an undervalue.

- 18 (1) If after 6th April 1965 a company which is a close company as defined in Schedule 18 to this Act transfers an asset to any person otherwise than by way of a bargain made at arm's length and for a consideration of an amount or value less than the market value of the asset an amount equal to the difference shall be apportioned among the issued shares of the company, and the holders of those shares shall be treated in accordance with the following provisions of this paragraph.
- (2) For the purposes of the computation under Schedule 6 to this Act of a gain accruing on the disposal of any of those shares by the person owning them on the date of transfer an amount equal to the amount so apportioned to that share shall be excluded

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from the expenditure allowable as a deduction under paragraph 4(1)(a) of that Schedule from the consideration for the disposal.

- (3) If the person owning any of the said shares at the date of transfer is itself a close company as so defined an amount equal to the amount apportioned to the shares so owned under sub-paragraph (1) above to that close company shall be apportioned among the issued shares of that close company, and the holders of those shares shall be treated in accordance with sub-paragraph (2) above, and so on through any number of close companies.

Gifts: recovery of tax from donee.

- 19 (1) If in any year of assessment a chargeable gain accrues to any person on the disposal of an asset by way of gift and any amount of capital gains tax assessed on that person for that year of assessment is not paid within twelve months from the date when the tax becomes payable the donee may, by an assessment made not later than two years from the date when the tax became payable, be assessed and charged (in the name of the donor) to capital gains tax on an amount not exceeding the amount of the chargeable gain so accruing, and not exceeding the grossed up amount of that capital gains tax unpaid at the time when he is so assessed, grossing up at the marginal rate of tax, that is to say taking capital gains tax on a chargeable gain at the amount which would not have been chargeable but for that chargeable gain.
- (2) A person paying any amount of tax in pursuance of this paragraph shall be entitled to recover a sum of that amount from the donor.
- (3) References in this paragraph to a donor include, in the case of an individual who has died, references to his personal representatives.
- (4) In this paragraph references to a gift include references to any transaction otherwise than by way of a bargain made at arm's length so far as money or money's worth passes under the transaction without full consideration in money or money's worth, and " donor " and " donee " shall be construed accordingly; and this paragraph shall apply in relation to a gift made by two or more donors with the necessary modifications and subject to any necessary apportionments.

Husband and wife.

- 20 (1) If, in any year of assessment, and in the case of a woman who in that year of assessment is a married woman living with her husband, the man disposes of an asset to the wife, or the wife disposes of an asset to the man, both shall be treated as if the asset was acquired from the one making the disposal for a consideration of such amount as would secure that on the disposal neither a gain or a loss would accrue to the one making the disposal.
- (2) This paragraph shall not apply—
- (a) if until the disposal the asset formed part of trading stock of a trade carried on by the one making the disposal, or if the asset is acquired as trading stock for the purposes of a trade carried on by the one acquiring the asset, or
- (b) if the disposal is on the occasion of the death of the one making the disposal, but this paragraph shall have effect notwithstanding the provisions of paragraph 1 of this Schedule or of any other provisions of this Part of this Act fixing the amount of the consideration deemed to be given on a disposal or acquisition.

Connected persons.

- 21 (1) Any question whether a person is connected with another shall for the purposes of this Part of this Act be determined in accordance with the following sub-paragraphs of this paragraph (any provision that one person is connected with another being taken to mean that they are connected with one another).
- (2) A person is connected with an individual if that person is the individual's husband or wife, or is a relative, or the husband or wife of a relative, of the individual or of the individual's husband or wife.
- (3) A person, in his capacity as trustee of a settlement, is connected with any individual who in relation to the settlement is a settlor, with any person who is connected with such an individual and with a body corporate which, under section 411(4) of the Income Tax Act 1952 is deemed to be connected with that settlement ("settlement" and "setdor" having for the purposes of this sub-paragraph the meanings assigned to them by Chapter III of Part XVIII of the Income Tax Act 1952).
- (4) Except in relation to acquisitions or disposals of partnership assets pursuant to bona fide commercial arrangements, a person is connected with any person with whom he is in partnership, and with the husband or wife or a relative of any individual with whom he is in partnership.
- (5) A company is connected with another company—
- (a) if the same person has control of both, or a person has control of one and persons connected with him, or he and persons connected with him, have control of the other; or
- (b) if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person with whom he is connected.
- (6) A company is connected with another person, if that person has control of it or if that person and persons connected with him together have control of it.
- (7) Any two or more persons acting together to secure or exercise control of a company shall be treated in relation to that company as connected with one another and with any person acting on the directions of any of them to secure or exercise control of the company.
- (8) In this paragraph "relative" means brother, sister, ancestor or lineal descendant.

SCHEDULE 8

Section 22.

CAPITAL GAINS: LEASES.

Leases of land as wasting assets: curved line restriction of allowable expenditure.

- 1 (1) A lease of land shall not be a wasting asset until the time when its duration does not exceed fifty years.
- (2) If at the beginning of the period of ownership of a lease of land it is subject to a sub-lease not at a rackrent and the value of the lease at the end of the duration of the sub-lease, estimated as at the beginning of the period of ownership, exceeds the

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expenditure allowable under paragraph 4(1)(a) of Schedule 6 to this Act in computing the gain accruing on a disposal of the lease, the lease shall not be a wasting asset until the end of the duration of the sub-lease.

- (3) In the case of a wasting asset which is a lease of land the rate at which expenditure is assumed to be written off shall, instead of being a uniform rate as provided by paragraph 10 of Schedule 6 to this Act, be a rate fixed in accordance with the Table below.
- (4) Accordingly, for the purposes of the computation under the said Schedule 6 of the gain accruing on a disposal of a lease, and given that—
- the percentage derived from the Table for the duration of the lease at the beginning of the period of ownership is P(1),
 - the percentage so derived for the duration of the lease at the time when any item of expenditure attributable to the lease under paragraph 4(1)(b) of Schedule 6 to this Act is first reflected in the nature of the lease is P(2), and
 - the percentage so derived for the duration of the lease at the time of the disposal is P(3),

then—

- (i) there shall be excluded from the expenditure attributable to the lease under the said paragraph 4(1)(a) a fraction equal to

$$\frac{P(1)-P(3)}{P(1)}$$

and

- (ii) there shall be excluded from any item of expenditure attributable to the lease under the said paragraph 4(1)(b) a fraction equal to

$$\frac{P(2)-P(3)}{P(2)}$$

- (5) This paragraph applies notwithstanding that the period of ownership of the lease is a period exceeding fifty years and, accordingly, no expenditure shall be written off under this paragraph in respect of any period earlier than the time when the lease becomes a wasting asset.
- (6) Paragraph 11 of Schedule 6 to this Act shall apply in relation to this paragraph as it applies in relation to paragraph 10 of that Schedule.

TABLE

Years	Percentage
50 (or more)	100
49	99.657
48	99.289
47	98.902
46	98.490

If the duration of the lease is not an exact number of years the percentage to be derived from the Table above shall be the percentage for the whole number of years plus one twelfth of the difference between that and the percentage for the next higher number of years for each odd month counting an odd 14 days or more as one month.

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Years	Percentage
45	98.059
44	97.595
43	97.107
42	96.593
41	96.041
40	95.457
39	94.842
38	94.189
37	93.497
36	92.761
35	91.981
34	91.156
33	90.280
32	89.354
31	88.371
30	87.330
29	86.226
28	85.053
27	83.816
26	82.496
25	81.100
24	79.622
23	78.055
22	76.399
21	74.635
20	72.770
19	70.791
18	68.697
17	66.470
16	64.116
15	61.617
14	58.971

If the duration of the lease is not an exact number of years the percentage to be derived from the Table above shall be the percentage for the whole number of years plus one twelfth of the difference between that and the percentage for the next higher number of years for each odd month counting an odd 14 days or more as one month.

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Years	Percentage
13	56.167
12	53.191
11	50.038
10	46.695
9	43.154
8	39.399
7	35.414
6	31.195
5	26.722
4	21.983
3	16.959
2	11.629
1	5.983
0	0

If the duration of the lease is not an exact number of years the percentage to be derived from the Table above shall be the percentage for the whole number of years plus one twelfth of the difference between that and the percentage for the next higher number of years for each odd month counting an odd 14 days or more as one month.

Premiums for leases.

- 2 (1) Subject to this Schedule where the payment of a premium is required under a lease of land, or otherwise under the terms subject to which a lease of land is granted, there is a part disposal of the freehold or other asset out of which the lease is granted.
- (2) In applying paragraph 7 of Schedule 6 to this Act to such a part disposal, the property which remains undisposed of includes a right to any rent or other payments, other than a premium, payable under the lease, and that right shall be valued as at the time of the part disposal.
- 3 (1) This paragraph applies in relation to a lease of land.
- (2) Where, under the terms subject to which a lease is granted, a sum becomes payable by the tenant in lieu of the whole or part of the rent for any period, or as consideration for the surrender of the lease, the lease shall be deemed for the purposes of this Schedule to have required the payment of a premium to the landlord (in addition to any other premium) of the amount of that sum for the period in relation to which the sum is payable.
- (3) Where, as consideration for the variation or waiver of any of the terms of a lease, a sum becomes payable by the tenant otherwise than by way of rent, the lease shall be deemed for the purposes of this Schedule to have required the payment of a premium to the landlord (in addition to any other premium) of the amount of that sum for the period from the time when the variation or waiver takes effect to the time when it ceases to have effect.

- (4) If under sub-paragraph (2) or (3) above a premium is deemed to have been received by the landlord, otherwise than as consideration for the surrender of the lease, then subject to sub-paragraph (5) below, both the landlord and the tenant shall be treated as if that - premium were, or were part of, the consideration for the grant of the lease due at the time when the lease was granted, and the gain accruing to the landlord on the disposal by way of grant of the lease shall be recomputed and any necessary adjustments of tax, whether by way of assessment for the year in which the premium is deemed to have been received, or by way of discharge or repayment of tax made accordingly.
- (5) If under sub-paragraph (2) or (3) above a premium is deemed to have been received by the landlord, otherwise than as consideration for the surrender of the lease, and the landlord is a tenant under a lease the duration of which does not exceed fifty years this Schedule shall apply as if an amount equal to the amount of that premium deemed to have been received had been given by way of consideration for the grant of the part of the sub-lease covered by the period in respect of which the premium is deemed to have been paid as if that consideration were expenditure incurred by the sub-lessee and attributable to that part of the sub-lease under paragraph (4)(1)(b) of Schedule 6 to this Act.
- (6) Where under sub-paragraph (2) above a premium is deemed to have been received as consideration for the surrender of a lease the surrender of the lease shall not be the occasion of any re-computation of the gain accruing on the receipt of any other premium, and the premium which is consideration for the surrender of the lease shall be regarded as consideration for a separate transaction consisting of the disposal by the landlord of his interest in the lease.
- (7) Sub-paragraph (3) above shall apply in relation to a transaction not at arm's length, and in particular in relation to a transaction entered into gratuitously, as if such sum had become payable by the tenant otherwise than by way of rent as might have been required of him if the transaction had been at arm's length.

Sub-leases out of short leases.

- 4 (1) In the computation under Schedule 6 to this Act of the gain accruing on the part disposal of a lease which is a wasting asset by way of the grant of a sub-lease for a premium the expenditure attributable to the lease under paragraph 4(1)(a) and 4(1)(b) of Schedule 6 to this Act shall be apportioned in accordance with this paragraph, and paragraph 7 of Schedule 6 to this Act shall not apply.
- (2) Out of each item of the expenditure attributable to the lease under the said paragraph 4(1)(a) and 4(1)(b) there shall be apportioned to what is disposed of—
 - (a) if the amount of the premium is not less than what would be obtainable by way of premium for the said sub-lease if the rent payable under that sub-lease were the same as the rent payable under the lease, the fraction which, under paragraph 1(3) of this Schedule, is to be written off over the period which is the duration of the sub-lease, and
 - (b) if the amount of the premium is less than the said amount so obtainable, the said fraction multiplied by a fraction equal to the amount of the said premium divided by the said amount so obtainable.
- (3) If the sub-lease is a sub-lease of part only of the land comprised in the lease this paragraph shall apply only in relation to a proportion of the expenditure attributable

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to the lease under the said paragraph 4(1)(a) and 4(1)(b) which is the same as the proportion which the value of the land comprised in the sub-lease bears to the value of that and the other land comprised in the lease; and the remainder of that expenditure shall be apportioned to what remains undisposed of.

Exclusion of premiums taxed under Case VIII of Schedule D, etc.

- 5 (1) Where by reference to any premium income tax has become chargeable under section 22 of the Finance Act 1963 on any amount, that amount out of the premium shall be excluded from the consideration brought into account in the computation under paragraph 7 of Schedule 6 to this Act, except where the consideration is taken into account in the denominator of the fraction by reference to which an apportionment is made.
- (2) Where by reference to any premium in respect of a sub-lease granted out of a lease the duration of which (that is of the lease) does not, at the time of granting the lease, exceed fifty years, income tax has become chargeable under the said section 22 on any amount that amount shall be deducted from any gain accruing on the disposal for which the premium is consideration as computed in accordance with the provisions of this Part of this Act apart from this sub-paragraph, but not so as to convert the gain into a loss, or to increase any loss.
- (3) If under section 22(6) of the said Act (premiums payable by instalments) a claim is made as respects any amount, the whole of that amount shall be so excluded or deducted, and on the allowance of the claim all such adjustments shall be made, whether by discharge or repayment of tax or otherwise, as are required to give effect to the provisions of this sub-paragraph.
- (4) Where income tax has become chargeable under section 24 of the Finance Act 1963 (sale of land with right of re-conveyance) on any amount a sum of that amount shall be excluded from the consideration brought into account in the computation under Schedule 6 to this Act of a gain accruing on the disposal of the estate or interest in respect of which income tax becomes so chargeable, except where the consideration is taken into account in the denominator of the fraction by reference to which an apportionment is made under paragraph 7 of the said Schedule 6:
- Provided that if what is disposed of is the remainder of a lease or a sub-lease out of a lease the duration of which does not exceed fifty years the foregoing provisions of this sub-paragraph shall not apply but the said amount shall be deducted from any gain accruing on the disposal as computed in accordance with the provisions of this Part of this Act apart from this sub-paragraph, but not so as to convert the gain into a loss, or to increase any loss.
- (5) References in sub-paragraph (1) and (2) above to a premium include references to a premium deemed to have been received under subsection (3) or subsection (4) of section 22 of the Finance Act 1963 (which correspond to paragraph 3(2)(3) of this Schedule).
- (6) Paragraph 2 of Schedule 6 to this Act shall not be taken as authorising the exclusion of any amount from the consideration for a disposal of assets taken into account in the computation under that Schedule by reference to any amount chargeable to tax under Chapter II of Part II of the Finance Act 1963.
- 6 (1) If under paragraph 9(1) of Schedule 4 to the Finance Act 1963 (allowance where, by the grant of a sub-lease, a lessee has converted a capital amount into a right to

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income) a person is to be treated as paying additional rent in consequence of having granted a sub-lease, the amount of any loss accruing to him on the disposal by way of the grant of the sub-lease shall be reduced by the total amount of rent which he is thereby treated as paying over the term of the sub-lease (and without regard to whether relief is thereby effectively given over the term of the sub-lease), but not so as to convert the loss into a gain, or to increase any gain.

- (2) Nothing in paragraph 2 of Schedule 6 to this Act shall be taken as applying in relation to any amount on which tax is paid under section 23 of the Finance Act 1963 (charge on assignment of lease granted at undervalue).
- (3) If any adjustment is made under section 24(2)(b) of the Finance Act 1963 on a claim under that paragraph, any necessary adjustment shall be made to give effect to the consequences of the claim on the operation of this or the last foregoing paragraph.

- 7 If under section 22(2) of the Finance Act 1963 income tax is chargeable on any amount, as being a premium the payment of which is deemed to be required by the lease, the person so chargeable shall be treated for the purposes of the computation of any gain accruing to him on a disposal of the lease as having incurred at the time the lease was granted expenditure of that amount (in addition to any other expenditure) attributable to the asset under paragraph 4(1)(b) of Schedule 6 to this Act.

Terminable and renewable leases.

- 8 In ascertaining for the purposes of this Schedule the duration of a lease of land, the following provisions shall have effect—
- (a) where the terms of the lease include provision for the determination thereof by notice given either by the landlord or by the tenant, the lease shall not be treated as granted for a term longer than one ending at the earliest date on which it could be determined by notice;
- (b) where any of the terms of the lease (whether relating to forfeiture or to any other matter) or any other circumstances render it unlikely that the lease will continue beyond a date falling before the expiration of the term of the lease, the lease shall not be treated as having been granted for a term longer than one ending on that date:

Provided that where the duration of a lease falls to be ascertained after a date on which the lease has for any reason come to an end, the duration shall be taken to have extended from its commencement to that date, and where the duration falls to be ascertained at a time when the lease is subsisting the provisions of the foregoing paragraphs shall be applied in accordance with circumstances prevailing at that time.

Leases of property other than land.

- 9 (1) Paragraphs 2, 3, 4 and 8 of this Schedule shall apply in relation to leases of property other than land as they apply to leases of land, but subject to any necessary modifications.
- (2) Where by reference to any capital sum within the meaning of section 17 of the Finance Act 1964 (leases of assets other than land) any person has been charged to income tax on any amount, that amount out of the capital sum shall be deducted from any gain accruing on the disposal for which that capital sum is consideration,

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as computed in accordance with the provisions of this Part of this Act apart from this sub-paragraph, but not so as to convert the gain into a loss, or increase any loss.

- (3) In the case of a lease of a wasting asset which is movable property the lease shall be assumed to terminate not later than the end of the life of the wasting asset.

Interpretation.

- 10 (1) In this Schedule " premium " includes any like sum, whether payable to the intermediate or a superior landlord, and for the purposes of this Schedule any sum (other than rent) paid on or in connection with the granting of a tenancy shall be presumed to have been paid by way of premium except in so far as other sufficient consideration for the payment is shown to have been given.
- (2) In the application of this Schedule to Scotland " premium " includes in particular a grassum payable to any landlord or intermediate landlord on the creation of a sub-lease.

SCHEDULE 9

Sections 17 and 27.

CAPITAL GAINS: GOVERNMENT SECURITIES ISSUED AT A DISCOUNT.

<i>Description of Government securities</i>	<i>Exempt price range (for £100 nominal of Stock)</i>	
	<i>from</i>	<i>to</i>
54% Exchequer Stock 1966	99 ½	100
5% Exchequer Stock 1967	96 ½	100
4% Exchequer Stock 1968	98	100
3½% Conversion Stock 1969	99	100
3 % Funding Stock 1959/69	98	100
British Electricity 44% Guaranteed Stock 1967/69	98 ½	100
5 % Conversion Stock 1971	98 ½	100
British Gas 34% Guaranteed Stock 1969/71	98	100
6% Conversion Stock 1972	97 ½	100
British Gas 4 % Guaranteed Stock 1969/72	98	100
British Transport 3% Stock 1968/73	73	100
5¼% Conversion Stock 1974	97 ½	100
4% Victory Bonds	85	100

<i>Description of Government securities</i>	<i>Exempt price range (for £100 nominal of Stock)</i>	
	<i>from</i>	<i>to</i>
British Electricity 3% Guaranteed Stock 1974/77	99 ½	100
British Transport 4% Stock 1972/77	95 ½	100
5% Exchequer Stock 1976/78	96	100
British Electricity 4¼% Guaranteed Stock 1974/79	99	100
British Electricity 3½% Guaranteed Stock 1976/79	99	100
5¼% Funding Stock 1978/80	96 ½	100
3½% Treasury Stock 1977/80	75⅛	100
3½% Treasury Stock 1979/81	81	100
5% Funding Stock 1982/84	£90 18s. 2d.	100
5 % Treasury Stock 1986/89	84 ½	100
4% Funding Stock 1960/90	80	100
5¾ % Funding Stock 1987/91	97	100
3½% Funding Stock 1999/2004	80	100
5½% Treasury Stock 2008/12	95	100
North of Scotland Hydro Electricity 4% Guaranteed Stock 1973/78	96	100
Nyasaland Government 3 % Guaranteed Stock 1954/74	98 ½	100
Sudan Government 4% Guaranteed Stock 1974	86	100
Sudan Government 4 ½% Guaranteed Stock 1939/73	93	100
Tanganyika Government 4% Guaranteed Stock 1952/72	98	100

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SCHEDULE 10

Section 45.

CAPITAL GAINS: ADMINISTRATION.

PART I

CAPITAL GAINS TAX.

Application of income tax administrative provisions.

- 1 (1) Capital gains tax shall be under the care and management of the Board and the provisions of the Income Tax Acts in the Table below shall apply in relation to capital gains tax as they apply in relation to income tax chargeable under Schedule D at the standard rate and subject to any necessary modifications.
- (2) An appeal shall lie against an assessment to capital gains tax made in accordance with section 5 of the Income Tax Management Act 1964 as applied by sub-paragraph (1) above and the appeal shall, subject to section 44 of this Act, be to the General Commissioners or the Special Commissioners ; and, subject to the said section 44, section 12 of the said Act of 1964 shall apply accordingly in relation to the appeal.
- (3) Section 9 of the Income Tax Management Act 1964 as applied by sub-paragraph (1) above shall apply to every claim under this Part of this Act.

TABLE

INCOME TAX PROVISIONS APPLIED TO CAPITAL GAINS TAX

The Income Tax Act 1952

Section 47 (time limit for assessments).

Section 63 (grounds of appeal to be stated, and recovery of tax not in dispute).

Sections 65 and 66 (relief against double assessment or error or mistake in return).

Chapter IV of Part II (collection) except section 72.

Part XV (representative assessments) except section 367.

Section 370 (assessment of agent and non-resident).

Sections 495 to 497 (interest on overdue tax).

Sections 500 to 505 (penalties).

Section 507 with the amendment in Schedule 4 to the Income Tax Management Act 1964 (time limit for claims).

Sections 510, 513 to 515 and 520 (miscellaneous).

The Finance Act 1953

Section 29 (assessments in Scilly Isles).

The Finance Act 1956

Section 10(3) (question of ordinary residence).

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The Finance Act 1960
Part III (penalties)
The Income Tax Management Act 1964
The whole Act

Regulations about appeals.

- 2 (1) The Board may make regulations—
- (a) as respects the conduct of appeals against assessments and decisions on claims under this Part of this Act,
 - (b) entitling persons, in addition to those who would be so entitled apart from the regulations, to appear on such appeals,
 - (c) regulating the time within which such appeals or claims may be brought or made,
 - (d) where the market value of an asset on a particular date, or an apportionment or any other matter, may affect the liability to capital gains tax of two or more persons, enabling any such person to have the matter determined by the tribunal having jurisdiction to determine that matter if arising on an appeal against an assessment, and prescribing a procedure by which the matter is not determined differently on different occasions,
 - (e) authorising an inspector or other officer of the Board, notwithstanding the obligation as to secrecy imposed by virtue of this or any other Act, to disclose to a person entitled to appear on such an appeal the market value of an asset as determined by an assessment or decision on a claim, or to disclose to a person whose liability to tax may be affected by the determination of the market value of an asset on a particular date, or an apportionment or any other matter, any decision on the matter made by an inspector or other officer of the Board.
- (2) Regulations under this paragraph may contain such supplemental and incidental provisions as appear to the Board to be expedient including in particular—
- (a) provisions as to the choice of the Commissioners, whether a body of General Commissioners or the Special Commissioners, to hear the appeal where, in addition to the appellant against an assessment, or the claimant in the case of an appeal against the decision on a claim, and in addition to the inspector or other officer of the Board, some other person is entitled to be a party to the appeal, and
 - (b) provisions corresponding to section 329 of the Income Tax Act 1952 (procedure on apportionments where more than one body of General Commissioners has jurisdiction), and
 - (c) provisions authorising the giving of conditional decisions where, under section 44 or any other provision of this Act, questions on an appeal against an assessment or a decision on a claim may go partly to one tribunal and partly to another.
- (3) Regulations under this paragraph—
- (a) shall be made by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons, and
 - (b) shall have effect notwithstanding anything in the provisions of the Income Tax Acts applied by this Schedule.

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Married women.

- 3 (1) Subject to this paragraph, the amount of capital gains tax on chargeable gains accruing to a married woman in a year of assessment, or part of a year of assessment, during which she is a married woman living with her husband shall be assessed and charged on the husband and not otherwise but this sub-paragraph shall not affect the amount of capital gains tax chargeable on a man apart from this sub-paragraph nor result in the additional amount of capital gains tax charged on a man by virtue of this sub-paragraph being different from the amount which would otherwise have remained chargeable on the married woman.
- (2) Sub-paragraph (1) above shall not apply in relation to a husband and wife in any year of assessment if, before 6th July in the year next following that year of assessment, an application is made by either the husband or wife, and such an application duly made shall have effect not only as respects the year of assessment for which it is made but also for any subsequent year of assessment:
- Provided that the applicant may give, for any subsequent year of assessment, a notice to withdraw that application and where such a notice is given the application shall not have effect with respect to the year for which the notice is given or any subsequent year.
- A notice of withdrawal under this proviso shall not be valid unless it is given within the period for making, for the year for which the notice is given, an application similar to that to which the notice relates.
- (3) Returns under section 7 or section 9(6) of the Income Tax Management Act 1964 as respects chargeable gains accruing to a married woman may be required either from her or, if her husband is liable under sub-paragraph (1) above, from him.
- (4) Section 359 (collection from wife of tax assessed on husband attributable to her income) and section 360 (right of husband to disclaim liability for tax on deceased wife's income) of the Income Tax Act 1952 shall apply with any necessary modifications in relation to capital gains tax as they apply in relation to income tax other than surtax.
- (5) An application or notice of withdrawal under this paragraph shall be in such form and made in such manner as may be prescribed by the Board.

Postponement of payment of tax.

- 4 (1) Capital gains tax chargeable on gains accruing—
- (a) on the disposal of assets deemed to have been disposed of by a deceased person on his death, or
 - (b) on the disposal of settled property deemed to be effected on any occasion in accordance with subsection (3) or subsection (4) of section 25 of this Act, being chargeable gains accruing—
 - (i) on the disposal of land or an estate or interest in land, or
 - (ii) on the disposal of shares or securities of a company the value of which at the time of the disposal is to be ascertained for the purposes of estate duty under section 55 of the Finance Act 1940 (valuation by reference to assets of the company) or the corresponding enactment forming part of the law of Northern Ireland, or would fall to be so ascertained if estate duty were leviable on the shares or securities on a death at the time of the disposal, or

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- (iii) where the Board are satisfied that the capital gains tax chargeable on gains accruing on the disposal of any shares or securities of a company not falling within paragraph (ii) above, and not quoted on a recognised stock exchange in the United Kingdom or elsewhere, cannot be paid at once without undue hardship, on the disposal of those shares or securities,
- may, at the option of the personal representatives or as the case may be of the trustees, be paid by eight equal yearly instalments or sixteen half-yearly instalments, but subject to the payment of interest under sections 495 to 497 of the Income Tax Act 1952 as applied by this Schedule.
- (2) The first instalment shall be due at the expiration of twelve months from the time of the disposal and the interest on the unpaid portion of the tax shall be added to each instalment and paid accordingly; but the tax for the time being unpaid, with interest to the date of payment, may be paid at any time and, if the property is disposed of for valuable consideration, shall become due and payable on the disposal.
- (3) If relief is given under section 24(2) or section 25(5) of this Act in respect of an aggregate sum which includes gains to which this paragraph applies and other gains, then for the purpose of ascertaining the amount of capital gains tax chargeable on the gains to which this paragraph applies, that relief shall be treated as having been applied rateably in respect of tax on those respective gains.

PART II

PROVISIONS FOR CAPITAL GAINS TAX AND CORPORATION TAX.

General.

- 5 This Part of this Schedule has effect in relation to capital gains tax, including capital gains tax chargeable under section 82 of this Act, and also in relation to corporation tax and in this Part of this Schedule " tax " shall be construed accordingly.

Information as to assets acquired.

- 6 (1) A notice under section 7 or section 9(6) of the Income Tax Management Act 1964 (return of total income and return of income for purposes of a claim) may require particulars of any assets acquired by the person on whom the notice was served (or if the notice relates to income or chargeable gains of some other person, of any assets acquired by that other person) in the period specified in the notice, being a period beginning not earlier than 6th April 1965 but excluding—
- (a) any assets exempted by section 27 of this Act, without subsection (2) of that section, or
 - (b) unless the amount or value of the consideration for its acquisition exceeded one thousand pounds, any asset which is tangible moveable property and is not within the exceptions in section 30(6) of this Act, or
 - (c) any assets acquired as trading stock.
- (2) The particulars required under this paragraph may include particulars of the person from whom the asset was acquired, and of the consideration for the acquisition.

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Special returns.

- 7
- (1) For the purpose of obtaining particulars of chargeable gains the inspector may by notice in writing require a return under any of the provisions of this paragraph.
 - (2) An issuing house or other person carrying on a business of effecting public issues of shares or securities in any company, or placing of shares or securities in any company, either on behalf of the company, or on behalf of holders of blocks of shares or securities which have not previously been the subject of a public issue or placing, may be required to make a return of all such public issues or placings effected by that person in the course of the business in the period specified in the notice requiring the return, giving particulars of, the persons to or with whom the shares or securities are issued, allotted or placed, and the number or amount of the shares or securities so obtained by them respectively.
 - (3) A person not carrying on such a business may be required to make a return as regards any such public issue or placing effected by that person and specified in the notice, giving particulars of the persons to or with whom the shares or securities are issued, allotted, or placed and the number or amount of the shares or securities so obtained by them respectively.
 - (4) A member of a stock exchange in the United Kingdom, other than a jobber, may be required to make a return giving particulars of any transactions effected by him in the course of his business in the period specified in the notice requiring the return giving particulars of the parties to the transactions and the number or amount of the shares or securities dealt with in the respective transactions and the amount or value of the consideration.
 - (5) The committee or other person or body of persons responsible for managing a clearing house for any terminal market in commodities may be required to make a return giving particulars of any transactions effected through the clearing house in the period specified in the notice requiring the return giving particulars of the parties to the transactions and of the amounts dealt with in those transactions respectively and the amount or value of the consideration.
 - (6) An auctioneer, and any person carrying on a trade of dealing in any description of tangible moveable property, or of acting as an agent or intermediary in dealings in any description of tangible moveable property, may be required to make a return giving particulars of any transactions effected by or through him in which any asset which is tangible moveable property is disposed of for a consideration the amount or value of which, in the hands of the recipient, exceeds one thousand pounds.
 - (7) No person shall be required under this paragraph to include in a return particulars of any transaction effected before 7th April 1965 or more than three years before the service of the notice requiring him to make the return.
 - (8) Part III of the Finance Act 1960 (penalties) shall have effect as if this paragraph were among the provisions specified in the second column of Schedule 6 to that Act.

Nominee shareholdings.

- 8
- (1) Section 250(4) of the Income Tax Act 1952 (information from nominee shareholders) shall apply for the purposes of obtaining particulars of chargeable gains, but a notice under that subsection as so applied may be given by an inspector or other officer of the Board.

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- (2) The said section 250(4) as applied by this paragraph shall have effect as if references to shares included references to securities and loan capital.

Returns of assets in settlements.

- 9 Section 410 of the Income Tax Act 1952 (power to obtain information for purposes connected with settlements) shall apply for the purposes of this Part of this Act as it applies for the purposes of Chapter III of Part XVIII of that Act.

Partnerships.

- 10 A return of income of a partnership under section 144 of the Income Tax Act 1952 shall include—
- (a) with respect to any disposal of partnership property during a period to which any part of the return relates the like particulars as if the partnership were liable to tax on any chargeable gain accruing on the disposal, and
 - (b) with respect to any acquisition of partnership property the particulars required under paragraph 6 of this Schedule.

Information as to non-resident companies and trusts.

- 11 (1) A person holding shares or securities in a company which is not resident or ordinarily resident in the United Kingdom, or who is interested in settled property under a settlement the trustees of which are not resident or ordinarily resident in the United Kingdom, may be required by a notice by the Board to give such particulars as the Board may consider are required to determine whether the company or trust falls within section 41 or section 42 of this Act, and whether any chargeable gains have accrued to that company, or to the trustees of that settlement, in respect of which the person to whom the notice is given is liable to capital gains tax under the said section 41 or the said section 42.
- (2) Part III of the Finance Act 1960 (penalties) shall have effect as if this paragraph were among the provisions specified in the second column of Schedule 6 to that Act.

Liability of trustees, etc.

- 12 (1) Capital gains tax chargeable in respect of chargeable gains accruing to the trustees of a settlement or capital gains tax due from the personal representatives of a deceased person may be assessed and charged on and in the name of any one or more of those trustees or personal representatives, but where an assessment is made in pursuance of this sub-paragraph otherwise than on all the trustees or all the personal representatives the persons assessed shall not include a person who is not resident or ordinarily resident in the United Kingdom.
- (2) Subject to section 22(5) of this Act, chargeable gains accruing to the trustees of a settlement or to the personal representatives of a deceased person, and capital gains tax chargeable on or in the name of such trustees or personal representatives, shall not be regarded for the purposes of this Part of this Act as accruing to, or chargeable on, any other person, nor shall any trustee or personal representative be regarded for the purposes of this Part of this Act as an individual, but the provisions of Part XV of the Income Tax Act 1952 as applied by this Schedule shall not affect the question of who is the person to whom chargeable gains accrue, or who is chargeable to capital

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gains tax, so far as that question is relevant for the purposes of any exemption or of any provision determining the rate at which capital gains tax is chargeable.

- (3) Chargeable gains which accrue to an individual on the disposal of assets deemed to be made by him on his death shall be regarded for the purposes of this Part of this Act as accruing to an individual notwithstanding that capital gains tax in respect of the gains is chargeable and assessable on his personal representatives.

Conclusiveness of income tax decisions.

- 13 Any assessment to income tax or decision on a claim under the Income Tax Acts, and any decision on an appeal under the Income Tax Acts against such an assessment or decision, shall be conclusive so far as under section 21 of this Act or Schedule 6 to this Act or any other provision of this Part of this Act liability to tax depends on the provisions of the Income Tax Acts.

Valuation.

- 14 (1) If for the purposes of this Part of this Act the Board authorise an inspector or other officer of the Board to inspect any property for the purpose of ascertaining its market value the person having the custody or possession of that property shall permit the inspector or other officer so authorised to inspect it at such reasonable times as the Board may consider necessary.
- (2) If any person wilfully delays or obstructs an inspector or other officer of the Board acting in pursuance of this paragraph he shall be liable on summary conviction to a fine not exceeding five pounds.

Priority of tax in bankruptcy.

- 15 (1) In a bankruptcy under the law of any part of the United Kingdom capital gains tax and corporation tax shall each have the same priority as income tax.
- (2) In the application of this Part of this Act to Northern Ireland the reference in this paragraph to priority in bankruptcy includes a reference to any other priority given to income tax under the Bankruptcy Acts (Northern Ireland) 1857 to 1964.

Form of declaration of Commissioners and others.

- 16 In the form of declaration in Part I of Schedule 1 to the Income Tax Management Act 1964 for the words " the profits tax " (in both places) there shall be substituted the words " any tax on company profits or capital gains " , but not so as to invalidate any declaration made before the passing of this Act.

Forms of assessments and returns and other documents.

- 17 Any return or assessment or other document relating to chargeable gains or tax on capital gains may be combined with one relating to income or income tax.

Northern Ireland.

- 18 Any reference in this Part of this Act to the General Commissioners shall in its application to Northern Ireland be a reference to the Special Commissioners.

SCHEDULE 11

Sections 47 and 89 and Schedule 18.

MEANING OF " DISTRIBUTION " .

PART I

GENERAL MEANING.

Matters to be treated as distributions.

- 1 (1) In relation to any company " distribution " means—
- (a) any dividend paid by the company, including a capital dividend;
 - (b) any other distribution out of assets of the company (whether in cash or otherwise) in respect of shares in the company, except so much of the distribution, if any, as represents a repayment of capital on the shares or is, when it is made, equal in amount or value to any new consideration given for the distribution;
 - (c) any redeemable share capital or security issued by the company in respect of shares in the company otherwise than wholly for new consideration, or such part of any redeemable share capital or security so issued as is not properly referable to new consideration;
 - (d) any interest or other distribution out of assets of the company in respect of securities of the company (except so much, if any, of any such distribution as represents the principal thereby secured), where the securities are either—
 - (i) securities issued as mentioned in paragraph (c) above; or
 - (ii) securities convertible directly or indirectly into shares in the company and not securities quoted on a recognised stock exchange nor issued on terms which are reasonably comparable with the terms of issue of securities so quoted; or
 - (iii) securities under which the consideration given by the company for the use of the principal secured is to any extent dependent on the results of the company's business or any part of it, or under which the consideration so given represents more than a reasonable commercial return for the use of that principal; or
 - (iv) securities issued by the company to a company not resident in the United Kingdom, where the former is a subsidiary of the latter or both are subsidiaries of a third company (" subsidiary " having the meaning assigned to it by section 42(1) of the Finance Act 1938);
 - (e) any such amount as is required to be treated as a distribution by subparagraph (2) or (3) below.
- (2) Where on a transfer of assets or liabilities by a company to its members or to a company by its members, the amount or value of the benefit received by a member (taken according to its market value) exceeds the amount or value (so taken) of any new consideration given by him, the company shall be treated as making a distribution to him of an amount equal to the difference.
- (3) Where a company—
- (a) repays any share capital, or has done so at any time after 6th April, 1965 ; and

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- (b) at or after the time of that repayment (but not before the year 1966-67) issues as paid up otherwise than by the receipt of new consideration any share capital, not being redeemable share capital;

the amount so paid up shall be treated as a distribution made in respect of the shares on which it is paid up, except in so far as that amount exceeds the amount or aggregate amount of share capital so repaid less any amounts previously so paid up and treated by virtue of this sub-paragraph as distributions.

Matters to be treated or not treated as repayments of share capital.

- 2 (1) Where—
- (a) a company issues any share capital as paid up otherwise than by the receipt of new consideration, or has done so after 6th April, 1965 ; and
- (b) any amount so paid up does not fall to be treated as a distribution;
- then for the purposes of paragraph 1 above distributions afterwards made by the company in respect of shares representing that share capital shall not be treated as repayments of share capital, except to the extent to which those distributions, together with any relevant distributions previously so made, exceed the amounts so paid up (then or previously) on such shares after that date and not falling to be treated as distributions.
- (2) In sub-paragraph (1) above " relevant distribution " means so much of any distribution made in respect of shares representing the relevant share capital as apart from that sub-paragraph would be treated as a repayment of share capital, but by virtue of that sub-paragraph cannot be so treated.
- (3) For the purposes of this paragraph all shares of the same class shall be treated as representing the same share capital, and where shares are issued in respect of other shares, or are directly or indirectly converted into or exchanged for other shares, all such shares shall be treated as representing the same share capital.
- 3 (1) Where share capital is issued at a premium representing new consideration, the amount of the premium is to be treated as forming part of that share capital for the purpose of determining under this Part of this Schedule whether any distribution made in respect of shares representing the share capital is to be treated as a repayment of share capital:
- Provided that this sub-paragraph shall not have effect in relation to any part of the premium after that part has been applied in paying up share capital.
- (2) Subject to sub-paragraph (1) above, premiums paid on redemption of share capital are not to be treated as repayments of capital.

" New consideration ".

- 4 In this Part of this Schedule " new consideration " means consideration not provided directly or indirectly out of the assets of the company, and in particular does not include amounts retained by the company by way of capitalising a distribution:
- Provided that where share capital has been issued at a premium representing new consideration, any part of that premium afterwards applied in paying up share capital shall be treated as new consideration also for that share capital, except in so far as the premium has been taken into account under paragraph 3 above so as to enable a distribution to be treated as a repayment of share capital.

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- 5 A distribution shall be treated under this Schedule as made, or consideration as provided, out of assets of a company if the cost falls on the company.

Expressions relating to shares or securities.

- 6 (1) In this Part of this Schedule " share " includes stock, and any other interest of a member in a company.
- (2) References in this Part of this Schedule to issuing share capital as paid up apply also to the paying up of any issued share capital.
- 7 (1) For purposes of this Part of this Schedule " security " includes securities not creating or evidencing a charge on assets, and interest paid by a company on money advanced without the issue of a security for the advance, or other consideration given by a company for the use of money so advanced, shall be treated as if paid or given in respect of a security issued for the advance by the company.
- (2) Where securities are issued at a price less than the amount repayable on them, and are not quoted on a recognised stock exchange, the principal secured shall not be taken for the purposes of this Part of this Schedule to exceed the issue price, unless the securities are issued on terms reasonably comparable with the terms of issue of securities so quoted.
- 8 (1) For purposes of this Part of this Schedule a thing is to be regarded as done in respect of a share if it is done to a person as being the holder of the share, or as having at a particular time been the holder, or is done in pursuance of a right granted or offer made in respect of a share; and anything done in respect of shares by reference to share holdings at a particular time is to be regarded as done to the then holders of the shares or the personal representatives of any share holder then dead.
- (2) Sub-paragraph (1) above shall apply in relation to securities as it applies in relation to shares.

PART II

EXTENDED MEANING FOR CLOSE COMPANIES.

- 9 (1) In relation to a close company " distribution " includes, unless otherwise stated.—
- (a) any interest or other consideration paid or given by the company to a director who is not a whole-time service director, but is a participator, for the use of money advanced by any person, or to a person who is an associate of such a director for the use of money so advanced ;
- (b) any annuity or other annual payment paid by the company to a participator, other than interest;
- (c) any rent, royalty or other consideration paid or given by the company to a participator for the use of property other than money or, in the case of tangible property or of copyright in a literary, dramatic, musical or artistic work within the meaning of the Copyright Act 1956 (or any corresponding right under the law of a country to which that Act does not extend), so much of any such consideration as represents more than a reasonable commercial consideration;
- (d) any such amount as is required to be treated as a distribution by sub-paragraph (2) below.

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- (2) Where a close company incurs expense in or in connection with the provision for any participator of living or other accommodation, of entertainment, of domestic or other services or of other benefits or facilities of whatever nature the company shall be treated as making a distribution to him of an amount equal to so much of that expense as is not made good to the company by the participator:

Provided that this sub-paragraph shall not apply to expense incurred in or in connection with the provision of benefits or facilities for a person to whom section 161 of the Income Tax Act 1952 applies as a director or employee of the company, or the provision for the spouse, children or dependants of any such person of any pension, annuity, lump sum, gratuity or other like benefit to be given on his death or retirement.

- (3) Any reference in sub-paragraph (2) above to expense incurred in or in connection with any matter includes a reference to a proper proportion of any expense incurred partly in or in connection with that matter, and section 162 of the Income Tax Act 1952 (valuation of benefits in kind provided for directors or employees) shall apply for purposes of sub-paragraph (2) above as it applies for purposes of section 161, references to sub-paragraph (2) above being substituted for references to section 161(1) and references to a body corporate including any company.
- (4) Where each of two or more close companies makes a payment to a person who is not a participator in that company, but is a participator in another of those companies, and the companies are acting in concert or under arrangements made by any person, then each of those companies and any participator in it shall be treated as if the payment made to him had been made by that company.

This sub-paragraph shall apply, with any necessary adaptations, in relation to the giving of any consideration and to the provision of any facilities as it applies in relation to the making of a payment.

- (5) In this paragraph any reference to a participator includes an associate of a participator.

SCHEDULE 12

Sections 48, 71 and 85.

SUPPLEMENTARY PROVISIONS ABOUT TAX ON DISTRIBUTIONS, ETC.

PART I

Procedure etc. for payments by and repayments to companies.

- 1 (1) Any income tax for which a company resident in the United Kingdom is liable to account in respect of distributions made by it in any year of assessment after the year 1965-66, or in respect of any payments made by it in any such year other than distributions, shall in accordance with paragraph 2 below be accounted for and paid during or on the expiration of the year, subject to such set off as is available to the company under paragraph 3 below against income tax on franked investment income or on payments received subject to deduction of tax other than franked investment income.
- (2) If it appears after the end of any such year of assessment either—

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- (a) that in respect of distributions made by the company in the year the company is liable to account for income tax to an amount greater than the income tax (if any) borne by it on franked investment income received in the year and on any surplus of franked investment income carried forward to the year ; or
- (b) that in respect of payments made by the company in the year other than distributions the company is liable to account for income tax to an amount greater than the income tax (if any) borne by it by deduction on payments received in the year other than franked investment income ;

and the amount paid by and not repaid to the company in respect of the year in accordance with sub-paragraph (1) above is less than the amount of the excess referred to in paragraph (a) or (b) of this sub-paragraph, the company shall be liable to pay the difference between the two last-mentioned amounts.

- (3) The amount which a company is liable to pay for any year of assessment under sub-paragraph (2) above, if or in so far as it is not agreed between the company and the inspector or is not paid in pursuance of such an agreement, shall be recovered by means of an assessment made on the company.
 - (4) Nothing in this Part of this Schedule shall apply to income tax for which a company is liable to account under section 157 (pay as you earn) of the Income Tax Act 1952 ; but in section 27(1) of the Finance Act 1960 (payments for interest on securities sold cum dividend) the reference to section 170(2) of the Income Tax Act 1952 shall include a reference to this Part of this Schedule.
- 2
- (1) A company shall from time to time make to the collector returns of all distributions and payments made by it to which paragraph 1 above applies, and shall in any such return specify any amount of dividends included therein which has been paid under deduction of tax notwithstanding that an election under section 48(3) of this Act was in force in relation thereto.
 - (2) A return under this paragraph of distributions and payments made in any month shall be made within fourteen days from the end of the month, except that a return for the first five months of the year 1966-67 shall be made within fourteen days of the end of those five months; and any claim under paragraph 3 below shall be made at the like times.

In this sub-paragraph " month " means a month of a year of assessment, that is to say, a month beginning with the sixth day of a month of the calendar year.
 - (3) Subject to sub-paragraph (5) below, income tax in respect of any payment required to be included in a return under this paragraph shall be due at the time by which the return is to be made, and income tax so due shall be payable by the company without the making of any assessment.
 - (4) Income tax in respect of distributions included in a return, not being payments, shall be assessed on the company; and if it appears to the inspector that there are distributions (of whatever description) which ought to have been and have not been included in a return, or if the inspector is dissatisfied with any return, he may make an assessment on the company to the best of his judgment.
 - (5) Where a company is liable to pay income tax in respect of any payment if, but only if, it amounts to or involves a distribution, and it is not in the circumstances apparent whether or how far it does so, then—
 - (a) particulars of the payment shall be included in the return under this paragraph ; but

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- (b) sub-paragraph (3) above shall not apply to the payment and income tax in respect of it shall be assessed as in the case of distributions other than payments.
- 3 (1) Where in the year 1966-67 or any later year of assessment a company resident in the United Kingdom receives franked investment income, or receives any payment on which it bears income tax by deduction, the company may claim to have the income tax thereon brought into account under this paragraph.
- (2) If on the making of any such claim it is shown by the required evidence that income tax has been or will be paid in respect of any franked investment income or payment included in the claim, that tax shall be set against any income tax which the company has paid or is liable to pay in respect of distributions or other payments included in returns made under paragraph 2 above for the same year of assessment, and (where necessary) income tax paid by the company before the claim is allowed shall be repaid accordingly.
- (3) Where, on a claim made under this paragraph for any year of assessment, account would be taken of distributions made by the company in the year, and the company has a surplus of franked investment income carried forward to that year (and not already dealt with under this paragraph), the claim shall so state and the income tax on the surplus shall under sub-paragraph (2) above be set against income tax on distributions made by the company (but not against income tax on other payments).
- (4) Section 9 of the Income Tax Management Act 1964 shall apply to a claim under this paragraph.
- 4 Income tax set against other tax under paragraph 3 above shall be treated as paid or repaid, as the case may be, and the same tax shall not be taken into account both under this Part of this Schedule and under section 48(6) of this Act; but for purposes of section 48(6) any amount paid by a company by virtue of paragraph 1(2)(d) above shall be treated as if it were income tax borne by deduction on a payment not being franked investment income, and as if that payment had been received at the end of the year of assessment for which the said amount is paid, and the said amount shall be set off against corporation tax or repayable accordingly.
- 5 (1) Income tax assessed on a company under this Schedule shall, subject to any appeal against the assessment, be due within fourteen days after the issue of the notice of assessment (unless due earlier under paragraph 2(3) above); and where the amount of any tax payable in accordance with paragraph 1(2) above is agreed between the company and the inspector, it shall be due within fourteen days after it is so agreed.
- (2) Sections 63 and 66 of the Income Tax Act 1952 (which make special provision for Schedule D in relation to appeals and to the correction of mistakes) shall apply to any assessment made by virtue of this Schedule as if it were an assessment under Schedule D, and section 13 of the Income Tax Management Act 1964 shall have effect accordingly.
- (3) Section 495 of the Income Tax Act 1952 (interest on overdue income tax) shall apply in relation to income tax assessable in accordance with this Schedule as it applies to income tax charged by an assessment under Schedule D, except that subsection (2) and paragraph (a) of subsection (3) (remission of interest on tax less than three months overdue and on assessments for less than one thousand pounds) shall not apply.

- (4) Nothing in the foregoing provisions of this Schedule shall be taken to prejudice any powers conferred by the Income Tax Acts for the recovery of income tax by means of an assessment or otherwise.
- (5) Subject to the foregoing provisions of this Schedule the Board may by statutory instrument make regulations with respect to the procedure to be adopted for giving effect to section 48 of this Act, and as to the information and evidence to be furnished by a company in or in connection with any return or claim made for purposes thereof.

PART II

Payments received from subsidiary or jointly owned company.

- 6 (1) An election (that is to say in this Part of this Schedule, an election under section 48(3) of this Act) shall be made by notice in writing to the inspector, and the notice shall set out the facts necessary to show that the companies are entitled to make the election.
- (2) An election shall not have effect in relation to dividends paid less than three months after the giving of the notice and before the inspector is satisfied that the election is validly made, and has so notified the companies concerned ; but shall be of no effect if within those three months the inspector notifies the companies concerned that the validity of the election is not established to his satisfaction:

Provided that the companies shall have the like right of appeal against any decision that the validity of the election is not established as the company paying the dividends would have if it were an assessment made on that company under Schedule D, and the enactments relating to an appeal against such an assessment (including any enactment relating to the statement of a case for the opinion of the High Court) shall apply accordingly.

- (3) An election shall cease to be in force if at any time the companies cease to be entitled to make the election, and on that happening each company shall forthwith notify the inspector.
- (4) Either of the companies making an election may at any time give the inspector notice in writing revoking the election; and any such notice shall have effect from the time it is given.
- 7 (1) Section 48(3) of this Act shall not apply to dividends received by a company on any investments, if a profit on the sale of those investments would be treated as a trading receipt of that company.
- (2) Section 48(3) shall not apply to dividends paid by a company to another unless both are bodies corporate.

8 Where a company purports by virtue of an election to pay any dividends without deduction of income tax, and income tax ought to have been deducted, then the company receiving the dividends shall be treated for purposes of sections 47 and 48 of this Act as if that tax had been deducted and been repaid to it under Part I of this Schedule, and the amount of that tax may be recovered from it accordingly by adjustment of the payments and repayments under Part I or otherwise.

- 9 (1) For purposes of section 48(3) of this Act a body corporate shall be deemed to be a subsidiary of another body corporate if and so long as more than one half of its ordinary share capital is owned by that other body corporate, whether directly or

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through another body corporate or other bodies corporate, or partly directly and partly through another body corporate or other bodies corporate.

- (2) In determining under this paragraph whether one body corporate is a subsidiary of another, that other shall be treated as not being the owner—
- (a) of any share capital which it owns directly or indirectly in a body corporate not resident in the United Kingdom ; or
 - (b) of any share capital which it owns indirectly, and which is owned directly by a body corporate for which a profit on the sale of the shares would be a trading receipt.
- 10 References to ownership and to ordinary share capital in section 48(3) of this Act and in this Part of this Schedule shall be construed in accordance with section 42(3) of the Finance Act 1938; and, except in so far as paragraph 9(2) above provides otherwise, section 42(2) of that Act, together with Part I of Schedule 4, shall apply for purposes of paragraph 9 above as they applied for purposes of that section.
- 11 This Part of this Schedule shall apply for purposes of section 48(7) of this Act, with the necessary adaptations of references to dividends, as it applies for purposes of section 48(3).

SCHEDULE 13

Sections 55 and 82.

CHARGEABLE GAINS OF COMPANIES.

PART I

GROUPS OF COMPANIES.

Interpretation.

- 1 For purposes of this Part of this Schedule—
- (a) references to a company apply only to a company resident in the United Kingdom, and only to a company within the meaning of the Companies Act 1948 or the corresponding enactment in force in Northern Ireland and to a registered industrial and provident society within the meaning of section 442 of the Income Tax Act 1952 ;
 - (b) a principal company and all its subsidiaries form a group, and where a principal company is a member of a group as being itself a subsidiary, that group shall comprise all its subsidiaries;
 - (c) " subsidiary " has the meaning assigned to it for certain purposes of the profits tax by section 42 of the Finance Act 1938 except that in the application of that section any share capital of a registered industrial and provident society shall be treated as within the definition of ordinary share capital, and " principal company " means a company of which another company is a subsidiary.

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Transfers within the group.

- 2 (1) Notwithstanding any provision in Part III of this Act fixing the amount of the consideration deemed to be received on a disposal or given on an acquisition, where a member of a group of companies disposes of an asset to another member of the group, both members shall, except as provided by sub-paragraphs (2) and (3) below, be treated, so far as relates to corporation tax on chargeable gains, as if the asset acquired by the member to whom the disposal is made were acquired for a consideration of such amount as would secure that on the other's disposal neither a gain nor a loss would accrue to that other ; but where it is assumed for any purpose that a member of a group of companies has sold or acquired an asset, it shall be assumed also that it was not a sale to or acquisition from another member of the group.
- (2) Sub-paragraph (1) above shall not apply where the disposal is—
- (a) a disposal of a debt due from a member of a group of companies effected by satisfying the debt or part of it; or
 - (b) a disposal of redeemable shares in a company on the occasion of their redemption;
- and the reference in that sub-paragraph to a member of a group of companies disposing of an asset shall not apply to anything which under Schedule 7 to this Act is to be treated as a disposal of an interest in shares in a company in consideration for a capital distribution (as defined in paragraph 3 of that Schedule) from that company, whether or not involving a reduction of capital.
- (3) For the purposes of sub-paragraph (1) above, so far as the consideration for the disposal consists of money or money's worth by way of compensation for any kind of damage or injury to assets, or for the destruction or dissipation of assets or for anything which depreciates or might depreciate an asset, the disposal shall be treated as being to the person who, whether as an insurer or otherwise, ultimately bears the burden of furnishing that consideration.
- 3 (1) Where a member of a group of companies acquires an asset as trading stock from another member of the group, and the asset did not form part of the trading stock of any trade carried on by the other member, the member acquiring it shall be treated for purposes of paragraph 1 of Schedule 7 to this Act as having acquired the asset otherwise than as trading stock and immediately appropriated it for the purposes of the trade as trading stock.
- (2) Where a member of a group of companies disposes of an asset to another member of the group, and the asset formed part of the trading stock of a trade carried on by the member disposing of it but is acquired by the other member otherwise than as trading stock of a trade carried on by it, the member disposing of the asset shall be treated for purposes of paragraph 1 of Schedule 7 to this Act as having immediately before the disposal appropriated the asset for some purpose other than the purpose of use as trading stock.

Disposal or acquisition outside the group.

- 4 Where a member of a group of companies disposes of an asset acquired from another member of the group, paragraph 6 of Schedule 6 to this Act shall apply in relation to any capital allowances made to the other member (so far as not taken into account in relation to a disposal of the asset by that other member), and so on as respects previous transfers of the asset between members of the group (but this

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shall not be taken as affecting the consideration for which an asset is deemed under paragraph 2(1) above to be acquired).

5 Part II of Schedule 6 to this Act shall apply in relation to a disposal of an asset by a member of a group of companies which acquired the asset from another member of the group, as if all members of the group for the time being were the same person, and as if the acquisition or provision of the asset by the group, so taken as a single person, had been the acquisition or provision of it by the member disposing of it.

6 For purposes of the provisions of this Act relating to capital gains tax in connection with the replacement of trade assets, all the trades carried on by members of a group of companies shall be treated as a single trade (unless it is a case of one member of the group acquiring, or acquiring the interest in, the new assets from another or disposing of, or of the interest in, the old assets to another).

Recovery of tax.

7 (1) If at any time a chargeable gain accrues to a company which at that time is a member of a group of companies and any of the corporation tax assessed on the company for the accounting period in which the chargeable gain accrues is not paid within six months from the date when it becomes payable by the company, then, if the tax so assessed included any amount in respect of chargeable gains.—

- (a) a company which was at that time when the gain accrued the principal company of the group ; and
- (b) any other company which in any part of the period of two years ending with that time was a member of the said group of companies and owned the asset disposed of or any part of it, or where that asset is an interest or right in or over another asset, owned either asset or any part of either asset;

may at any time within two years from the time when the tax became payable be assessed and charged (in the name of the company to whom the chargeable gain accrued) to an amount of that corporation tax not exceeding corporation tax on the amount of that gain at the rate in force when the gain accrued.

(2) A company paying any amount of tax under the foregoing sub-paragraph shall be entitled to recover a sum of that amount—

- (a) from the company to which the capital gain accrued ; or
- (b) if that company is not the company which was the principal company of the group at the time when the capital gain accrued, from that principal company ;

and a company paying any amount under paragraph (b) shall be entitled to recover a sum of that amount from the company to which the capital gain accrued, and so far as it is not so recovered, to recover from any company which is for the time being a member of the group and which has while a member of the group owned the asset disposed of or any part of it (or where that asset is an interest or right in or over another asset, owned either asset or any part of it) such proportion of the amount unrecovered as is just having regard to the value of the asset at the time when the asset, or an interest or right in or over it, was disposed of by that company.

PART II

RECOVERY OF TAX FROM PERSONS RECEIVING DISTRIBUTIONS.

- 8 (1) This paragraph applies where a person who is connected with a company resident in the United Kingdom receives or becomes entitled to receive in respect of shares in the company any capital distribution from the company, other than a capital distribution representing a reduction of capital, and—
- (a) the capital so distributed derives from the disposal of assets in respect of which a chargeable gain accrues to the company; or
 - (b) the distribution constitutes such a disposal of assets.
- (2) If the corporation tax assessed on the company for the accounting period in which the chargeable gain accrues included any amount in respect of chargeable gains, and any of the tax assessed on the company for that period is not paid within six months from the date when it becomes payable by the company, the said person may by an assessment made within two years from that date be assessed and charged (in the name of the company) to an amount of that corporation tax—
- (a) not exceeding the amount or value of the capital distribution which that person has received or become entitled to receive; and
 - (b) not exceeding a proportion equal to that person's share of the capital distribution made by the company of corporation tax on the amount of that gain at the rate in force when the gain accrued.
- (3) A person paying any amount of tax under this paragraph shall be entitled to recover a sum equal to that amount from the company.
- (4) The provisions of this paragraph are without prejudice to any liability of the person receiving or becoming entitled to receive the capital distribution in respect of a chargeable gain accruing to him by reference to the capital distribution as constituting a disposal of an interest in shares in the company.
- (5) In this paragraph " capital distribution " has the same meaning as in paragraph 3 of Schedule 7 to this Act, and " connected with " shall be construed in accordance with paragraph 21 of that Schedule.

SCHEDULE 14

Section 63.

ADAPTATION OF SYSTEM OF CAPITAL ALLOWANCES.

PART I

GENERAL.

Vocabulary.

- 1 (1) The following provisions of this paragraph shall have effect for the construction of this Schedule and of the enactments thereby amended.
- (2) " Chargeable period " means an accounting period of a company or a year of assessment; and

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- (a) a reference to a "chargeable period or its basis period" is a reference to the chargeable period if it is an accounting period and to the basis period for it if it is a year of assessment;
 - (b) a reference to a "chargeable period related to" expenditure, or a sale or other event, is a reference to the chargeable period in which, or to that in the basis period for which, the expenditure is incurred or the sale or other event takes place, and means the latter if, but only if, the chargeable period is a year of assessment.
- (3) "Tax", where neither corporation tax nor income tax is specified, means either of those taxes, and references to tax for a chargeable period shall be construed, in relation to corporation tax, as referring to the tax for any financial year which is chargeable in respect of that period.
- (4) A reference to allowances or charges being made in taxing a trade is a reference to their being made in computing the trading income for corporation tax or in charging the profits or gains of the trade to income tax.
- (5) Where it is provided that writing-down allowances shall be made in respect of any expenditure during a writing-down period of a specified length, there shall for any chargeable period wholly or partly comprised in the writing-down period be made an allowance equal to the appropriate fraction of the expenditure; and, subject to any provision to the contrary, the appropriate fraction is such fraction of the writing-down period as falls within the chargeable period:

Provided that the aggregate amount of the allowances made whether to the same or to different persons, together with the amount of any initial allowance (but not any investment allowance), shall not exceed the amount of the expenditure.

- (6) "Writing-down allowance", where the reference is partly to years of assessment before the year 1966-67, includes an annual allowance in the sense which in the context that phrase had immediately before the commencement of this Act.

General amendments.

- 2 (1) Except as otherwise provided by this Schedule, Parts X and XI of the Income Tax Act 1952 and any other provision of the Income Tax Acts which is to be treated as included in the said Part X or XI shall be amended in accordance with this paragraph.
- (2) For the expression "annual allowance" there shall be substituted the expression "writing-down allowance".
- (3) For any reference to the year of assessment in the basis period for which anything happened there shall be substituted a reference to the chargeable period related to that happening.
- (4) For any other reference to the basis period for a year of assessment there shall be substituted a reference to a chargeable period or its basis period (any words particularising the year of assessment attaching to the chargeable period).
- (5) For any other reference to a year of assessment there shall be substituted a reference to a chargeable period.
- (6) For any reference to charging the profits or gains of a trade there shall be substituted a reference to taxing the trade.

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- (7) For any reference to income tax there shall be substituted a reference to tax, and for any reference to the Income Tax Acts there shall be substituted a reference to the Corporation Tax Acts or the Income Tax Acts.
- (8) The foregoing sub-paragraphs shall not have effect to amend any reference to a named year of assessment, or to amend any expression where in the context it is used only of years of assessment before the year 1966-67 and cannot relate to corporation tax.
- (9) Except in so far as the context otherwise requires, in any provision of the Income Tax Acts which is not referred to in sub-paragraph (1) above any reference to an allowance or charge for a year of assessment under a provision which is referred to in sub-paragraph (1) shall include the like allowance or charge for an accounting period of a company, and any reference to the making of an allowance or charge in charging profits or gains of a trade shall be construed as a reference to making it in taxing a trade.
- 3 Where any enactment amended by this Schedule provides for the amount of a writing-down allowance to be determined by reference to a fraction or percentage, specified numerically, of any expenditure or other sum, or by reference to a percentage determined or deemed to be determined for a year of assessment, then (except as otherwise provided in Part IV of this Schedule) for a chargeable period of less than a year the fraction or percentage shall be proportionately reduced; and similarly with the amounts by reference to which writing-down allowances for certain vehicles are limited by section 41(3) and (where it applies) (6) of the Finance Act 1963.
- 4 Any provision of the Income Tax Acts whereby, for any purpose of the enactments amended by this Schedule, a trade is, or is not, to be treated as permanently discontinued or a new trade as set up and commenced on its being so treated by virtue of section 19 of the Finance Act 1953 shall apply in like manner in the case of a trade so treated by virtue of any provision of Part IV of this Act, other than the provision about companies ceasing to be overseas trade corporations.

PART II

INDUSTRIAL BUILDINGS : DREDGING.

Industrial buildings.

- 5 For section 266(2) of the Income Tax Act 1952 there shall be substituted—
- “(2) Where the interest in a building or structure which is the relevant interest in relation to any expenditure is sold while the building or structure is an industrial building or structure, then (subject to any further adjustment under this subsection on a later sale) the writing down allowance for any chargeable period, if that chargeable period or its basis period ends after the time of the sale, shall be the residue (as defined in section 268(1) of this Act) of that expenditure immediately after the sale, reduced in the proportion (if it is less than one) which the length of the chargeable period bears to the part unexpired at the date of the sale of the period of twenty-five years (or, where the expenditure was incurred before 6th November 1962, fifty years) beginning with the time when the building or structure was first used.”

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6 (1) For section 267(1) proviso of the Income Tax Act 1952 there shall be substituted:—

“Provided that no balancing allowance or balancing charge shall be made by reason of any event occurring more than twenty-five years (or, where the expenditure was incurred before 6th November 1962, fifty years) after the building or structure was first used.”

(2) For section 267(4) of the Income Tax Act 1952 there shall be substituted:—

“(4) Where a balancing charge falls to be made on a person, and any part of the relevant period (as denned for purposes of this subsection) is not comprised in a chargeable period for which a writing down allowance or scientific research allowance has been made to him or its basis period, the amount on which the balancing charge is to be made shall be reduced in the proportion which the part or parts that are so comprised bear to the whole of the relevant period.

In this subsection ' the relevant period ' means the period beginning when the building or structure was first used for any purpose and ending—

- (a) if the event giving rise to the balancing charge occurs on the last day of a chargeable period or its basis period, with that day; or
- (b) if not, with the latest date before that event which is the last day of a chargeable period or its basis period :

Provided that where, before the said event (but not before the appointed day), the building or structure has been sold while an industrial building or structure, the relevant period shall begin with the day following that sale or, if there has been more than one such sale, the last such sale.”

(3) In section 267(6) of the Income Tax Act 1952 (which restricts a balancing charge by reference to the total of the allowances made to the person chargeable, exclusive of any investment allowance) for the words " for years of assessment his basis periods for which end on or before the date of the event which gives rise to the charge " there shall be substituted the words " for chargeable periods which end on or before the date of the event giving rise to the charge or of which the basis periods end on or before that date. "

(4) In section 323(3) of the Income Tax Act 1952 (under which a balancing allowance for the last year of assessment of a trade may in special cases be carried back to earlier years) for the words from " so, however," onwards there shall be substituted the words " so, however, that allowances shall not be given by virtue of this subsection for periods together amounting to more than five years (inclusive of any period for which an allowance might be made but cannot be given effect for want of profits or gains) otherwise than by giving a proportionately reduced allowance for a chargeable period of which part is required to make up the five years. "

(5) In the case of a company no allowance shall be given by virtue of section 323(3) of the Income Tax Act 1952 so as to create or augment a loss in any accounting period; and where on a company ceasing to carry on a trade a claim is made both under the said section 323(3) and under section 59 of this Act the allowance for which the claim is made under section 323(3) shall be disregarded for purposes of the claim under section 59, but effect shall be given to the claim under section 59 in priority to the claim under section 323(3).

- (6) In Schedule 19 to the Income Tax Act 1952, in paragraph 6(1) (which adjusts the effect on certain other reliefs of a balancing allowance reduced by the fraction specified in section 267(4)) for the words " the same fraction, and the same fraction only, of the " there shall be substituted the words " only a proportionately reduced. "
- 7 (1) For section 268(5) of the Income Tax Act 1952 there shall be substituted the following subsection:—
- “(5) If, for any period or periods between the time when the building or structure was first used for any purpose and the time at which the residue of the expenditure falls to be ascertained, the building or structure has not been in use as an industrial building or structure, then, subject to the provisions of the next following subsection, there shall in ascertaining that residue be treated as having been previously written off in respect of the said period or periods amounts equal to writing-down allowances made for chargeable periods of a total length equal thereto at such rate or rates as would have been appropriate having regard to any sale on which section 266(2) of this Act operated”.
- (2) In section 268(10) of the Income Tax Act 1952 (which deals with Crown land and provides for writing off certain amounts as if the land were owned and used by a person other than the Crown) after the words " other than the Crown" in paragraph (a) there shall be inserted the words " and other than a company " ; and accordingly paragraph 2(4) and (5) of this Schedule shall not apply to amend section 268(10)(d).
- (3) A building or structure shall not, for purposes of section 268(5) of the Income Tax Act 1952, be treated by virtue of either of the provisions to which this subparagraph applies as having been an industrial building or structure before the year of assessment for which that provision first had effect.
- This sub-paragraph applies—
- (a) to section 25 of the Finance Act 1952 (buildings of tunnel undertakings); and
- (b) section 17 of the Finance Act 1953 (fishing, and overseas farming and forestry).
- 8 In section 271 of the Income Tax Act 1952 (which defines an industrial building or structure) there shall be added at the end as a new subsection (6):—
- “(6) For purposes of this Chapter references to use as an industrial building or structure do not apply, in the case of a building or structure outside the United Kingdom, to use for the purposes of a trade at a time when the profits or gains of the trade are not assessable in accordance with the rules applicable to Case I of Schedule D.”
- 9 In section 276 of the Income Tax Act 1952, in the words " the same or any previous or subsequent year of assessment", the word " other" shall be substituted for the words " previous or subsequent " .

Dredging.

- 10 (1) In section 17(1) of the Finance Act 1956 (dredging) for the words from " there shall be made " onwards there shall be substituted the following paragraphs:—
- “(a) an initial allowance equal to one-twentieth of the expenditure shall be made for the first relevant chargeable period to the person incurring the expenditure; and

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- (b) writing-down allowances shall be made in respect of that expenditure to the person for the time being carrying on the trade during a writing-down period of twenty-five years (or, where the expenditure was incurred before 6th November 1962, fifty years) beginning with the first relevant chargeable period, but where a writing-down allowance falls to be made for a year of assessment to such a person, and he is within the charge to income tax in respect of the trade for part only of that year, that part shall be treated as a separate chargeable period for the purposes of computing allowances under this section.”

Accordingly in section 17(4) there shall be omitted the words from " and " onwards.

- (2) In section 17(3) of the Finance Act 1956 for the words " section 17 of the Finance Act 1954 " there shall be substituted the words " section 61(2) of the Finance Act 1965 ".
- (3) In section 17(11) of the Finance Act 1956, in the words "the same or any previous or subsequent year of assessment", the word " other" shall be substituted for the words " previous or subsequent ".

PART III

MACHINERY AND PLANT.

- 11 Paragraph 2(5) of this Schedule shall not apply to substitute references to a chargeable period for references to a year of assessment—
- (a) in section 281(2), 282(2) or 287 of the Income Tax Act 1952 (under which are determined the percentages to be used in calculating writing-down allowances by the normal and by the alternative method); or
- (b) where the reference is to the period for which a percentage is determined or deemed to be determined, in section 35 of the Finance Act 1963 ;
- but in section 287(3) of the Income Tax Act 1952 for the words " income tax " there shall be substituted the word " tax ".
- 12 (1) In section 291(1) of the Income Tax Act 1952 (annual allowances where previous use has not attracted full annual allowances) for the words "during any previous year of assessment" there shall be substituted the words " before that chargeable period " , and section 291(2) shall be amended as follows:—
- (a) in paragraph (a) for the words " income tax " there shall be substituted the word " tax "; and
- (b) at the end of the subsection there shall be added:—
- “In the case of a company paragraph (a) above shall not alter the periods which are to be taken as chargeable periods, but if during any time after the year 1965-66, and after the company acquired the machinery or plant, the company has not been within the charge to corporation tax, any year of assessment or part of a year of assessment falling within that time shall be taken as a chargeable period as if it had been an accounting period of the company.”
- (2) Section 295 of the Income Tax Act 1952 (which applies section 291 for purposes of balancing allowances and charges) shall have effect accordingly, and in section 295(2) for the words " income tax " there shall be substituted the word " tax ".

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- 13 In section 297(6) of the Income Tax Act 1952 (meaning of " expenditure unallowed ") for the words " or for a year of assessment the basis period for which ended before the time in question " there shall be substituted the words " or for any other chargeable period if that chargeable period or its basis period ended before the time in question " .
- 14 In section 304 of the Income Tax Act 1952 in the words " the same or any previous or subsequent year of assessment " the word " other " shall be substituted for the words " previous or subsequent " .
- 15 (1) In section 72 of the Finance Act 1960 (business or estate management expenditure) the references to management expenses claims shall be amended in accordance with the following sub-paragraphs.
- (2) In subsection (3) for the words from " be made ", where secondly occurring, to " as the case may be " there shall be substituted the words " for purposes of Case VIII of Schedule D be made in computing his profits or gains ", and there shall be omitted in the proviso the words from " whether " onwards.
- (3) In subsection (7) for the words from " in a management expenses claim " to " may be made " there shall be substituted the words " by notice in writing to the inspector ", and for the words from " effect " to " business " there shall be substituted the words " an assessment in respect of the business for that or a subsequent chargeable period has been finally determined without such an election " .
- (4) In subsection (8) for the words " on a management expenses claim ", where first occurring, there shall be substituted " under section 56(8) of the Finance Act 1965 " and for the words " any management expenses claim or assessment under Case VIII of Schedule D " there shall be substituted the words " any assessment to tax " .
- (5) In subsection (11) for the words " on a management expenses claim in respect of the business " there shall be substituted the words " within the meaning of section 57 of the Finance Act 1965 " .

PART IV

MINES, OIL-WELLS, ETC.

- 16 In section 307(3) of the Income Tax Act 1952 (which makes special provision about the amount of annual allowances for the last six years of working a mine etc., or of a foreign concession) for the reference to the year of assessment in which the event occurs and each of the five previous years of assessment there shall be substituted a reference to any chargeable period beginning within the six years which end with the date of the event.
- 17 (1) Section 22 of the Finance Act 1952 (contributions by mining concerns to public services etc., outside the United Kingdom) shall be amended in accordance with the following sub-paragraphs.
- (2) In subsection (1) for the words from " for each of the ten relevant years of assessment" onwards there shall be substituted the words " writing-down allowances shall be made to him in respect of that expenditure during a writing-down period of ten years beginning with the chargeable period related to the expenditure " ; and subsection (5) shall be omitted.

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- (3) In subsection (3) (which provides in effect that on a sale of the relevant mine etc., any remaining allowances shall be transferred from the vendor to the purchaser) for paragraph (b) there shall be substituted—
- “(b) for the part of the writing-down period remaining at the beginning of the last chargeable period for which an allowance is made to the first-mentioned person, allowances shall be made to the second-mentioned person as if he had incurred the expenditure for the purposes of the said trade, but so that the allowance for a chargeable period not wholly comprised in that part of the writing-down period shall be proportionately reduced”.
- 18 (1) In section 37(1) of the Finance Act 1963 (which provides for the making of annual allowances for mineral depletion in the United Kingdom) for the words " any year of assessment the basis period for which ends after the incurring of the expenditure " there shall be substituted the words " the chargeable period related to the expenditure and subsequent chargeable periods ".
- (2) Paragraph 3 of this Schedule shall not apply to fractions mentioned in section 37(2) of the Finance Act 1963 so as to reduce writing-down allowances under that section.

PART V

AGRICULTURAL LAND AND BUILDINGS.

- 19 (1) Section 314 of the Income Tax Act 1952 (allowances for capital expenditure on farm buildings and works) shall be amended in accordance with the following subparagraphs.
- (2) In subsection (1) the words " the year preceding any year of assessment" shall be omitted, and for the words from " he shall be entitled " onwards there shall be substituted the words " writing-down allowances shall be made to him in respect of that expenditure during a writing-down period of ten years beginning with the chargeable period related to that expenditure ".
- (3) In subsection (4) for paragraphs (a) and (b) there shall be substituted—
- “for the part of the writing-down period falling after the date of the transfer the person to whom the interest is transferred shall, to the exclusion of the person from whom it is transferred, be entitled to the allowances (any allowance to either of them for a chargeable period falling partly before and partly within that part of the writing-down period being reduced accordingly):
- Provided that, where the interest transferred is in part only of the land, this subsection shall apply to so much of the allowance as is properly referable to that part of the land as if it were a separate allowance”.
- (4) In subsection (7) for the words "In this section, references to the year preceding the year of assessment shall be construed as references to " there shall be substituted the words " For the purposes of this section the basis period of a chargeable period is " (the words " that chargeable period " being also substituted for the words " that year ").

PART VI

PATENTS.

- 20 (1) Section 316 of the Income Tax Act 1952 (annual allowances for capital expenditure on purchase of patent rights) shall be amended as follows:—
- (a) in subsection (1) for the words from "for each of the relevant years of assessment" down to (but excluding) the proviso there shall be substituted the words " writing-down allowances in respect of that expenditure during the writing-down period as hereinafter defined ", and for the words " income tax " in proviso (b) there shall be substituted the word " tax ";
 - (b) in subsection (2) for the words preceding the proviso there shall be substituted the words " The writing-down period shall be the seventeen years beginning with the chargeable period related to the expenditure ";
 - (c) subsection (3) shall be omitted.
- (2) In section 317 of that Act for any reference to the relevant years of assessment there shall be substituted a reference to the writing-down period under section 316, but so that in subsection (4)(b) for " the number of the relevant years of assessment " there shall be substituted " the number of complete years of the writing-down period ".
- 21 (1) In section 318 of the Income Tax Act 1952 (charges on capital sums received for sale of patent rights) for the words in subsection (1) from " for the year of assessment" down to (but excluding) the proviso there shall be substituted the words " for the chargeable period in which the sum is received by him and successive chargeable periods, being charged in each period on the same fraction of the sum as the period is of six years (or such less fraction as has not already been charged). "
- (2) In section 318(2) of that Act the word "tax" shall mean income tax, unless the seller of the patent rights, being a company, would be within the charge to corporation tax in respect of any proceeds of the sale not consisting of a capital sum; and where the subsection applies to charge a company to corporation tax in respect of a sum paid to it, the proviso shall not apply, but the company may, by notice in writing given to the Board not later than two years after the end of the accounting period in which the sum is paid, elect that the sum shall be treated as arising rateably in the accounting periods ending not later than six years from the beginning of that in which the sum is paid (being accounting periods during which the company remains within the charge to corporation tax as aforesaid), and there shall be made all such layments of tax and assessments to tax as are necessary to give effect to any such election.

PART VII

SCIENTIFIC RESEARCH.

- 22 In section 335 of the Income Tax Act 1952 for the words " income tax " there shall be substituted the word " tax ".
- 23 (1) In section 336 of the Income Tax Act 1952 there shall (except as regards expenditure incurred before 6th November 1962) be added at the end as subsection (6):—
- “(6) Subsections (2) to (5) of this section shall apply only for purposes of income tax, and the relevant chargeable period for purposes of corporation tax shall be that in which the expenditure is incurred or, if it is incurred before the

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setting up and commencement of the trade, the chargeable period beginning when the trade is set up and commenced.”

- (2) If, in the case of expenditure incurred by a company before 6th November 1962, the five years of assessment referred to in section 336(1) of the Income Tax Act 1952, have not expired at or before the end of the year 1965-66, allowances under that section shall be made for successive accounting periods without restriction of number, but so that—
- (a) the allowance for an accounting period of less than a year shall be proportionately reduced; and
 - (b) the aggregate of the allowances in respect of any expenditure (whether for years of assessment or for accounting periods) shall not exceed the amount of the expenditure.
- (3) Accordingly in section 268(4) of the Income Tax Act 1952, after the words " section 336 of this Act" there shall be inserted the words " as at the end of the chargeable period or, if it is a year of assessment ".

PART VIII

MISCELLANEOUS.

- 24 (1) In Chapter VI (miscellaneous and general) of Part X of the Income Tax Act 1952—
- (a) sections 323, 324 and 325 (making of allowances and charges, and meaning of " basis period "), except section 323(3), shall not have effect in relation to corporation tax, and accordingly shall not be amended in accordance with paragraph 2 of this Schedule;
 - (b) in section 329(1) (procedure on apportionments etc. affecting the liability to income tax of different persons) for the words " liability to income tax (for whatever year of assessment) " there shall be substituted the words " liability to tax (for whatever period) ";
 - (c) in section 330(1)(a) (under which a person incurring expenditure may not treat it as capital expenditure if it is deductible in computing trading income for purposes of income tax) for the words " income tax " there shall be substituted the word " tax ".
- (2) Section 339(2) of the Income Tax Act 1952 shall not have effect in relation to corporation tax in so far as it applies section 323(2) for purposes of Part XI of that Act.
- (3) Schedule 15 to the Income Tax Act 1952 (allowances for contributions to another's capital expenditure) shall be amended as follows:—
- (a) in paragraph 2(a) for the words from " the annual allowance " onwards there shall be substituted the words " writing-down allowances for chargeable periods ending after the date of transfer shall be made " to the transferee, and shall not be made to the transferor " ; and
 - (b) in paragraph 3(1) for the words from " the annual allowance " to " interest in the land" there shall be substituted the words " a writing-down allowance shall be made to a person for a chargeable period if at the end of that period he is entitled to the contributor's interest in the land. "
- 25 In relation to the following enactments, that is to say.—

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- (a) section 25 of the Finance Act 1953 (postponement of capital allowances to secure double taxation relief);
- (b) section 16 of the Finance Act 1954 and Schedule 2 to that Act (investment allowances);
- (c) section 16 of the Finance Act 1956 (expenditure on cutting, tunnelling etc.);
- (d) section 42(2) of the Transport Act 1962 (adjustment of Railways Board's capital allowances in connection with the Board's suspended debt);

paragraph 2 of this Schedule shall apply as if those enactments were included in Part X of the Income Tax Act 1952 ; and in section 25(1) of the Finance Act 1953 for the words " income tax " there shall be substituted the word " tax " .

PART IX

TRANSITIONAL.

- 26 The amendments made by this Schedule shall not have effect in relation to income tax for the year 1965-66 or any earlier year of assessment, except in so far as it is affected by their operation in relation to corporation tax; but any computation falling to be made for the purposes of income tax for any such year of assessment shall, where necessary, proceed from a computation made in accordance with those amendments (and in particular a computation of the residue of expenditure under section 268(5) of the Income Tax Act 1952).
- 27 (1) In connection with the transition for companies from income tax to corporation tax the enactments amended by this Schedule and any other provision of the Income Tax Acts relevant thereto shall have effect with such modifications as are necessary to preserve the continuity of the system of allowances and charges thereunder, so that in particular—
- (a) references to a previous chargeable period or to a subsequent chargeable period, or to a time before, or a time after, a chargeable period, shall have effect in relation to a company as if the year 1965-66 or any earlier year of assessment preceded that company's first accounting period for corporation tax;
 - (b) in a case where an event gives rise to any allowance or charge as taking place in a chargeable period, an event taking place in the year 1964-65 or 1965-66 at a time falling also in a company's accounting period for corporation tax shall be taken into account as happening in that year and shall not be again taken into account, so as to duplicate the allowance or charge, as happening in the accounting period.
- (2) Where it is provided that writing-down allowances are to be made for a specified period, allowances may be made for accounting periods of a company falling wholly or partly within the year 1964-65 or 1965-66, notwithstanding that allowances are also made for that year and, in reckoning the period for which allowances are to be made, the periods for which allowances are so made shall be added together, notwithstanding that the same time is (according to the calendar) counted twice; and similarly with section 323(3) of the Income Tax Act 1952 (allowances on cessation of working of a source of mineral deposits).
- (3) Subject to sub-paragraph (2) above, this paragraph shall not be taken to require any time to be counted twice in reckoning duration.

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

- 28 Without prejudice to the generality of paragraph 27 above, such part of any allowances falling to be made to a company in taxing a trade as but for this Act might have been carried forward to the year 1966-67 under section 323(2) of the Income Tax Act 1952 may be dealt with under section 56(1) of this Act as if it were an allowance for the first accounting period for which the company is within the charge to corporation tax in respect of the trade (but shall be disregarded for purposes of section 58(2)); and allowances which might have been carried forward to that year under section 324(1) of that Act may be dealt with under section 56 of this Act as if carried forward under section 56(5).

SCHEDULE 15

Section 63.

MISCELLANEOUS ADAPTATIONS OF INCOME TAX ACTS FOR CORPORATION TAX.

PART I

APPLICATION AND ADAPTATION OF ENACTMENTS.

The Income Tax Act 1952.

- 1 In section 125 of the Income Tax Act 1952 (woodlands) the references in subsection (2) to the year of assessment shall, in relation to corporation tax, be construed as references to the accounting period.
- 2 Section 202 of the Income Tax Act 1952 (which provides for the issue of funding bonds to be treated as payment of the interest) shall have effect for purposes of corporation tax.
- 3 In section 203(1) of the Income Tax Act 1952 (sale and repurchase of securities) paragraph (ii) shall in relation to corporation tax apply (subject to the provisions of this Act about distributions) to any interest within the meaning of that section, whether or not the securities are of such a character that the interest may be paid without deduction of tax ; and section 416(3) of that Act shall apply in like manner, and with the omission of the proviso.
- 4 (1) Section 440 of the Income Tax Act 1952 shall be amended—
- (a) by adding at the end of subsection (1) (exemptions for friendly societies) the words " and any such unregistered or registered friendly society shall be entitled to exemption from tax in respect of chargeable gains "; and
 - (b) by inserting in subsection (2) (exemptions for trade unions) at the end of the first paragraph the words " and to exemption from tax in respect of chargeable gains which are applicable and applied for the purpose of provident benefits ".
- (2) Section 449 of the Income Tax Act 1952 (exemptions for scientific research associations) shall be amended by inserting in subsection (1) immediately before the proviso the words " and exemption from tax in respect of chargeable gains ".
- (3) Section 451 of the Income Tax Act 1952 (exemption of British Museum) shall be amended by adding at the end of subsection (1) the words " and exemption from tax in respect of chargeable gains ".

- (4) Section 460 of the Income Tax Act 1952 (Central Banks of India and Pakistan) shall be amended by inserting after the word " 1947 " the words " including chargeable gains so arising or accruing " .
- 5 In section 468 of the Income Tax Act 1952 (removal of company or company's business overseas etc.) for the proviso to subsection (6) there shall be substituted, in relation to offences committed in or after the year 1966-67:—
- “Provided that where the person in question is a body corporate which is or was resident in the United Kingdom, the maximum amount of the fine shall be three times the corporation tax, profits tax, capital gains tax and income tax paid or payable which is attributable to the income, profits or gains (including chargeable gains) arising in the thirty-six months immediately preceding the commission of the offence, or ten thousand pounds, whichever is the greater”;
- and in subsection (7) the reference to an income tax purpose shall include a corporation tax purpose.
- 6 Sections 482 to 484 of the Income Tax Act 1952 (which relate to nationalised industries) shall have effect for corporation tax as for income tax; and references to years of assessment, to charging the profits or gains of a trade, and to any provision of the Income Tax Act 1952, shall have effect accordingly as if they were or included references to accounting periods, to taxing a trade, and to the relevant provision of Part IV of this Act; but in section 484 there shall be omitted (as being spent) the references to the owner of the assets before the date of vesting.
- 7 (1) As from the beginning of the year 1966-67, sections 491 and 492 of the Income Tax Act 1952 (which provide for adjusting under-deductions and over-deductions of income tax from certain payments made before the passing of an annual Act imposing the tax) shall be amended in accordance with the following sub-paragraphs.
- (2) For section 491(3)(a) (by virtue of which section 491(2) has effect where too little tax is deducted under section 184 from preference dividends) there shall be substituted:—
- “(a) any preference dividend within the meaning of Part IV of the Finance Act 1965 from which a deduction of tax may be made under the said Part IV ; and”.
- (3) In section 492 (over-deductions by bodies corporate under section 169 from interest payments on securities or under section 184 from preference dividends)—
- (a) after the words " section 169 " there shall be inserted the words " or section 170 "; and
- (b) for the words " section 184 of this Act " there shall be substituted the words " Part IV of the Finance Act 1965 "; and
- (c) at the end of the section there shall be added—
- “In this section ' preference dividend ' has the same meaning as in Part IV of the Finance Act 1965, and ' share ' includes stock.”
- 8 Sections 495 to 497 of the Income Tax Act 1952 (interest on overdue tax) shall have effect for corporation tax as for income tax, references to accounting periods being substituted for references to years of assessment.

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

- 9 In Schedule 20 to the Income Tax Act 1952 (assessment on the herd basis) the references in paragraph 2 to years of assessment shall, in relation to corporation tax, be construed as references to accounting periods.

The Finance Act 1953.

- 10 (1) Section 20 of the Finance Act 1953 (subvention payments) shall have effect subject to the following sub-paragraphs.
- (2) In relation to a time after the year 1965-66 " accounting period " in relation to any company shall mean its accounting period for corporation tax, and the question whether a company has a deficit or surplus for tax purposes, or what is the amount of that deficit or surplus, shall be ascertained by applying the rules applicable under Part IV of this Act to the computation of total profits for corporation tax (deducting any loss incurred in a trade from profits of any description), except that—
- (a) franked investment income shall be included other than income received by the company from its subsidiary or from a subsidiary of a third company of which it is also a subsidiary (" subsidiary" having for this purpose the meaning assigned to it for certain purposes of the profits tax by section 42 of the Finance Act 1938);
- (b) no regard shall be had to any deduction falling to be made in respect of losses, allowances or expenses of management of any other period, except any deduction falling to be made against chargeable gains in respect of losses incurred before the accounting period ;
- (c) there shall be deducted any charges on income.
- (3) Where an accounting period of a company for corporation tax begins before but ends after the end of the year 1965-66, sub-paragraph (2) above shall apply, except that the deficit or surplus shall be ascertained separately for the part of the period falling in that year (according to the rules applying to that year) and for the part falling after it (in accordance with sub-paragraph (2) above), and shall be aggregated with, or as the case may be, set off against, the other to arrive at the deficit or surplus for the whole period.
- (4) Where any period of account of a company beginning before the year 1966-67 is partly but not wholly comprised in an accounting period for corporation tax ending in that year, then the part not so comprised shall be treated for purposes of section 20 as a separate accounting period.
- (5) In subsection (2) of section 20 for the words " second year of assessment " in the proviso (as amended by the Finance Act 1958) there shall, in relation to accounting periods ending after the year 1965-66, be substituted the words " second year ".

- 11 In section 23 of the Finance Act 1953 (elections for the herd basis after compulsory slaughter of farm animals) subsections (2) and (3) shall, in relation to corporation tax, have effect as if references to years of assessment were references to accounting periods, and with the omission of the proviso to each of those subsections.

The Atomic Energy Authority Act 1954.

- 12 In section 6(2) of the Atomic Energy Authority Act 1954 (which confers certain exemptions from income tax on the Authority and its pension fund) there shall be inserted as a new paragraph (e)—
- “(e) tax in respect of chargeable gains”;

and at the end of the final paragraph (which relates to the pension fund) there shall be added the words " and similarly with chargeable gains (the exemptions from corporation tax conferred on the Authority having effect as exemptions from income tax or capital gains tax) ".

The Finance Act 1957.

- 13 In section 22 of the Finance Act 1957 there shall be inserted as a new subsection (1A):—

“(1A) A bank or issue department of a bank to which this section for the time being applies shall be exempt from tax in respect of chargeable gains accruing to it:

Provided that subsection (1) above may be applied to a bank or issue department without this subsection, or this subsection without that.”

The Finance Act 1960.

- 14 In section 25(6) of the Finance Act 1960 for the reference to section 346 of the Income Tax Act 1952 there shall be substituted a reference to the corresponding provision of this Act.

- 15 In the Finance Act 1960—

(a) in section 28(2) for the reference to section 256(2) and (3) of the Income Tax Act 1952 there shall be substituted a reference to paragraph 3 of Schedule 18 to this Act; and

(b) for section 28(11) proviso there shall be substituted:—

“Provided that there shall be disregarded any amount received by a company by way of dividend from an associated company in so far as the dividend is paid out of income arising to the company paying it since the two companies became associated companies, and Schedule 17 to the Finance Act 1965 shall with the necessary modifications apply for determining the extent to which the dividend was so paid”; and

(c) in section 29 (power to obtain information), and in the definition of "tax advantage" in section 43(4)(g), the references to income tax shall include corporation tax ;

and (without prejudice to any general provision of this Act for the continuity of income tax and corporation tax) in relation to tax advantages related to corporation tax the said section 28 shall apply to transactions taking place before the charge to corporation tax becomes effective.

- 16 In the Finance Act 1960, the references in section 33(4) to a company to which section 245 of the Income Tax Act 1952 applies, not being an investment company, and to Chapter III of Part IX of that Act shall include references to a close company and to section 78 of this Act and the other provisions of this Act having effect for purposes of that section.

The Finance Act 1962.

- 17 Section 22 of the Finance Act 1962 (taxation of Gas Council and Area Boards) shall apply in relation to corporation tax as it applied in relation to income tax.

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

The Finance Act 1963.

- 18 (1) Schedule 4 to the Finance Act 1963 shall have effect subject to the following sub-paragraphs.
- (2) In relation to a company the references in paragraph 15(1) to a year of assessment shall not be read as references to an accounting period, but any deduction authorised by that paragraph shall be apportioned between the accounting periods (if more than one) comprising the year of assessment; and for the references in paragraph 15(1) to a company to which section 245 of the Income Tax Act 1952 applies and to a director or member of it within the meaning of Chapter III of Part IX of that Act there shall be substituted references to a close company and to a director of or participator in it within the meaning of Part IV of this Act.
- (3) In relation to a company the references in paragraph 16 to a year of assessment shall not be read as references to an accounting period, but any deduction authorised by that paragraph shall be apportioned between the accounting periods (if more than one) comprising the year of assessment, other than any such period ended before the expenditure is incurred or transfer takes place by virtue of which the company is entitled to the deduction.
- (4) In paragraph 17, sub-paragraph (3)(b) shall not have effect in relation to a company.
- 19 In Schedule 8 to the Finance Act 1963, paragraph 5(a) shall not have effect in relation to a company.

PART II

CONTINUITY OF LOSS RELIEF AND OTHER MATTERS.

Trade losses.

- 20 (1) For purposes of section 341 of the Income Tax Act 1952 the question whether a company has sustained a loss in a trade in the year 1964-65 or the year 1965-66, and any question as to the amount of a loss so sustained, shall not be affected by the company being within the charge to corporation tax in respect of the trade for the whole or part of that year, but subject to sub-paragraph (2) below, a company shall not be entitled to relief by virtue of that section except against income tax for years of assessment before the year 1966-67, and section 15(3) of the Finance Act 1953 and section 20 of the Finance Act 1954 shall apply accordingly in relation to claims by a company for losses sustained in, but not after, the year 1964-65.
- (2) Where in the year 1965-66 a company is entitled to claim relief under section 341 of the Income Tax Act 1952 in respect of any loss (including any amount treated as a loss under section 20 of the Finance Act 1954), the company may claim that such part, if any, of that loss as cannot be relieved against income tax for that year shall be deducted or set off against profits arising in the year 1965-66, otherwise than from any trade carried on by the company, being profits in respect of which the company would otherwise be chargeable to corporation tax, and in so far as the loss arose in the year 1965-66 and cannot be so deducted or set off against profits arising in that year, that it shall be deducted from or set off against any such profits so arising in the year 1966-67 ; and up to the amount of the deduction or set off those profits shall be excluded accordingly from any assessment to corporation tax (the relief in any year

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of assessment being given as far as may be against profits of an earlier, rather than the profits of a later, accounting period).

- (3) Relief in respect of the same matter shall not be given both in a manner authorised under this paragraph and in some other manner.
- 21 (1) Where a company has before the year 1966-67 incurred a loss in a trade carried on by it, such part, if any, of that loss as but for this Act might have been carried forward to that year under section 342 of the Income Tax Act 1952 may be dealt with under section 58(1) or (7) of this Act as if it were a loss incurred by the company while within the charge to corporation tax in respect of the trade, but incurred in an accounting period ending at the time when the company in fact comes within the charge to tax in respect of the trade.
- (2) This paragraph shall apply to any amount which by virtue of section 345 of the Income Tax Act 1952, or of paragraph 3 of Schedule 3 to the Finance Act 1954, might be dealt with under section 342 as a loss incurred by a company in a trade as if that amount were a loss so incurred ; but where section 345 applies by virtue of section 443(1)(b) of that Act to any amount of share interest or loan interest paid by a registered industrial and provident society, this sub-paragraph shall not have effect except in relation to so much of the said amount as represents share interest or loan interest paid before the society comes within the charge to corporation tax in respect of its trade.

Losses within Case VI.

- 22 Where a company resident in the United Kingdom has incurred a loss in respect of which relief might be given under section 346 of the Income Tax Act 1952 against income tax for the year 1965-66 or an earlier year of assessment, then in so far as relief cannot be so given the loss may be dealt with under section 60 of this Act as if it had been incurred in the accounting period of the company beginning first after the date when the loss arose; but except in accordance with this paragraph relief shall not be given against corporation tax in respect of a loss if relief can be given in respect of it under the said section 346.

Expenses of management.

- 23 (1) No deduction shall be made under section 57 of this Act (or under that section as applied by section 69) in respect of sums disbursed as expenses of management in or before the year 1965-66, or in respect of any amounts which are by virtue of any enactment to be treated as sums so disbursed, in so far as relief can be given in respect thereof under section 425 of the Income Tax Act 1952 or under that section as applied by any other enactment; but in so far as relief cannot be so given, the amount unrelieved shall be treated for purposes of section 57 or 69 of this Act as an amount disbursed as expenses of management for the first accounting period for which the company is within the charge to corporation tax in respect of the business.
- (2) Where sub-paragraph (1) above has effect the company may by notice in writing given not later than twelve months after the end of the accounting period specified in the notice elect to treat such an amount of sums disbursed as expenses of management as is specified in the notice (being an amount not exceeding the total of the sums so disbursed in the said accounting period) as an amount unrelieved for the purpose of sub-paragraph (1), and where such a notice is given the amount so treated shall not be available for relief under section 425 of the Income Tax Act 1952.

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

Terminal losses.

- 24 (1) Where a company carrying on a trade at the beginning of the year 1966-67 ceases to do so within four years of coming within the charge to corporation tax in respect of it, section 59 of this Act shall apply, with any necessary adaptations, so as to enable relief to be given under that section against income tax for years of assessment before 1966-67 in so far as relief cannot be given against corporation tax, but so that—
- (a) where relief is given against income tax, section 38(4) of the Finance Act 1954 shall apply as it applies in relation to the corresponding relief under that section; and
 - (b) where section 59 of this Act has effect by virtue of this paragraph to reduce the profits of any period and income tax for more than one year of assessment has been computed wholly or partly by reference to those profits, such adjustment shall be made as may be necessary to prevent relief being given more than once.
- (2) Where sub-paragraph (1) above has effect, and before the year 1966-67 there has been in the trade a relevant change within the meaning of Schedule 3 to the Finance Act 1954 (company reconstructions), section 59 of this Act and that sub-paragraph shall apply so as to enable a person carrying on the trade before the relevant change to be given relief in the like circumstances and to the like extent, as nearly as may be, as he might have been given relief under section 18 of the Finance Act 1954 by virtue of paragraph 5 of Schedule 3 to that Act.

Continuation of elections etc.

- 25 (1) Where before the year 1966-67 a company has for purposes of income tax made any election or done any other act of a description which—
- (a) would have had continuing effect for income tax for that year or, if revocable, would have had continuing effect unless revoked;
 - (b) may also be made for corporation tax ;
- then that election or act shall for corporation tax be valid and effectual as if duly made or done for that tax, and have effect from the beginning of the first accounting period for which the company is within the charge to corporation tax in respect of the matter in question.
- (2) Accordingly where any such election or act is required to be made or done, if at all, at a particular time, no provision of this Act amending the enactment under which it is made or done so as to specify a different time in relation to corporation tax (whether by substituting a reference to the first accounting period for a reference to the first year of assessment in which anything takes place, or otherwise) shall be taken, unless the contrary intention appears, to invalidate any election or act duly made or done nor, where the time has passed for making or doing it for income tax, to extend the time in relation to corporation tax ; but nothing in this paragraph shall take away any right of revocation or variation.
- (3) This paragraph shall in particular apply—
- (a) to any election under section 125 of the Income Tax Act 1952 to be assessed in respect of woodlands under Schedule D ;
 - (b) to any election for the herd basis under Schedule 20 to that Act;
 - (c) to any election under paragraph 4 of Schedule 14 to that Act about capital allowances and charges after certain sales ;

- (d) to any election under paragraph 7 of Schedule 4 to the Finance Act 1963 for land to be treated as a single estate for the purpose of deductions under Case VIII of Schedule D.

SCHEDULE 16

Section 64.

DOUBLE TAXATION RELIEF, AND OVERSEAS TRADE CORPORATIONS.

PART I

DOUBLE TAXATION RELIEF.

Income Tax.

- 1 As from such year of assessment as Parliament may hereafter determine, paragraphs 2 and 3 below shall have effect in the case of persons resident in the United Kingdom in place of paragraphs 5, 6 and 8 of Schedule 16 to the Income Tax Act 1952, and shall be construed and have effect as if contained in that Schedule.
- 2 (1) Where credit for foreign tax falls to be allowed in respect of any income, and income tax is payable by reference to the amount received in the United Kingdom, the amount received shall be treated for purposes of income tax as increased by the amount of the foreign tax in respect of the income, including in the case of a dividend underlying tax.
- (2) Where credit for foreign tax falls to be allowed in respect of any income, and subparagraph (1) above does not apply, then in computing the amount of the income for purposes of income tax—
- (a) no deduction shall be made for foreign tax (whether in respect of the same or any other income); and
- (b) the amount of the income shall, in the case of a dividend, be treated as increased by any underlying tax.
- (3) The amount of any income shall not be treated as increased under this paragraph by reference to any foreign tax not payable but falling to be taken into account for purposes of credit by virtue of section 17 of the Finance Act 1961 (foreign tax reliefs to promote development).
- (4) In this paragraph " underlying tax " means in relation to a dividend tax which is not chargeable directly or by deduction in respect of the dividend but is to be taken into account in considering whether any, and if so what, credit is to be allowed against income tax in respect of the dividend.
- 3 (1) The amount of the credit for foreign tax to be allowed to a person against income tax for any year of assessment shall not exceed the difference between the amounts of income tax which would be borne by him for the year (no credit being allowed for foreign tax)—
- (a) if he were charged to tax on his total income for the year, computed in accordance with paragraph 2 above; and
- (b) if he were charged to tax on the same income, computed in the same way, but excluding the income in respect of which the credit is to be allowed.

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- (2) Where credit for foreign tax is to be allowed in respect of income from more than one source sub-paragraph (1) above shall be applied successively to the income from each source, but so that on each successive application paragraph (a) shall apply to the total income exclusive of the income to which the sub-paragraph has already been applied.
- (3) Without prejudice to sub-paragraphs (1) and (2) above the total credit to be allowed to a person against income tax for any year of assessment for foreign tax under all arrangements having effect by virtue of section 347 of the Income Tax Act 1952 shall not exceed the total income tax payable by him for that year of assessment, less any tax which he is entitled to charge against any other person.

Corporation Tax.

- 4 (1) Where dividends are paid by a company resident in a territory outside the United Kingdom to a company resident in the United Kingdom which controls directly or indirectly not less than one-quarter of the voting power of the company paying the dividends, then for the purpose of allowing credit against corporation tax in respect of the dividends in accordance with Schedule 16 or 17 to the Income Tax Act 1952, any United Kingdom tax payable by the first-mentioned company in respect of its profits (whether income tax or corporation tax) and any tax so payable under the law of any territory outside the United Kingdom shall be taken into account as if it were tax payable under the law of the first-mentioned territory.
- (2) For the purposes of this paragraph a company shall be deemed to control, directly or indirectly, not less than one-quarter of the voting power in another company if a third company having such control also controls directly or indirectly not less than one-half of the voting power in the first-mentioned company.
- (3) In relation to dividends paid by a company resident in the Commonwealth territories, paragraph 3 of Schedule 17 to the Income Tax Act 1952 shall apply as if in that paragraph and (as they apply for purposes of that paragraph) in section 16 of the Finance Act 1964 and sub-paragraphs (1) and (2) above references to one-quarter of the voting power were references to one-tenth of the voting power.
- 5 (1) Subject to sub-paragraph (2) below, where a company resident in the United Kingdom is charged to tax under Case I of Schedule D in respect of any insurance business carried on by it, and that business or any part of it is carried on through a branch or agency in a territory outside the United Kingdom, then in respect of dividends referable to that business which are paid to the company by companies resident in that territory any tax payable by those companies in respect of their profits under the law of that or any other territory outside the United Kingdom and any United Kingdom tax so payable (whether income tax or corporation tax) shall, in considering whether any, and if so what, credit is to be allowed under Schedule 16 or 17 to the Income Tax Act 1952, be taken into account as tax so payable under the law of the first-mentioned territory is taken into account in a case falling within paragraph 9 of Schedule 16.
- (2) Credit shall not be allowed to a company by virtue of this paragraph for any financial year in respect of a greater amount of dividends paid by companies resident in any overseas territory than is equal to any excess of the relevant fraction of the company's total income in that year from investments (including franked investment income and group income) so far as referable to the said business over the amount of the dividends so referable which are paid to it in the year by companies resident in that

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territory and in respect of which credit may apart from this paragraph be allowed to it for tax not chargeable directly or by deduction.

(3) For purposes of sub-paragraph (2) above " the relevant fraction " is, in relation to any overseas territory, the fraction of which the numerator is the company's local, and the denominator the company's total, premium income in the financial year so far as referable to the said business, and premium income shall be deemed to be local premium income in so far as it consists of premiums under contracts entered into at or through a branch or agency in that territory by persons not resident in the United Kingdom.

6 As from such time as Parliament may hereafter determine, where, in the case of a company resident in the United Kingdom, credit for foreign tax falls to be allowed in respect of any income, then in computing the amount of the income for purposes of corporation tax paragraph 7 of Schedule 16 to the Income Tax Act 1952 shall not apply, but instead paragraph 2(2) to (4) above shall apply as they apply for purposes of income tax.

PART II

OVERSEAS TRADE CORPORATIONS.

7 A company ceasing to be an overseas trade corporation by the operation of Part IV of this Act shall be treated for corporation tax as having at the beginning of the year 1966-67 ceased to carry on its trade and begun to carry on a new trade.

8 Notwithstanding anything in Part IV of this Act, paragraph 4 of Schedule 4 to the Finance Act 1957 (under which an overseas trade corporation is to be treated as having received capital allowances) shall continue to have effect, whether for corporation tax or for income tax, in relation to a company ceasing by the operation of Part IV of this Act or otherwise to be an overseas trade corporation.

9 (1) Where in the year 1965-66 dividends become due on shares in a company which is an overseas trade corporation, those dividends shall not by virtue of paragraph 7(1) of Schedule 5 to the Finance Act 1957 be related to any period ending after that year, in so far as so treating them would result in a greater amount being apportioned to the part of the period falling after that year than the amount which by virtue of section 83 of this Act is to be taken into account under sections 47(3) and 48.

(2) Where sub-paragraph (1) above applies to any dividends, so much of those dividends as would otherwise be, but cannot be, related to a period ending after the year 1965-66 shall be related in the first instance to the period of account in which they become due or, if that period ends after the year 1965-66, to the part of it falling within that year (the dividends, if any, which are to be taken into account under sections 47(3) and 48 of this Act being for this purpose taken as those becoming due later rather than those becoming due earlier).

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

SCHEDULE 17

Section 65.

SUPPLEMENTARY PROVISIONS ABOUT DIVIDEND STRIPPING.

Application of Schedule.

- 1 This Schedule has effect for the interpretation of section 65 of this Act (" the principal section ") and for its modification in particular cases, and for transitional purposes relating to that section or section 4 of the Finance (No. 2) Act 1955.

Construction of references to holdings.

- 2 (1) Subject to sub-paragraph (3) below, references to a holding in a company refer to a holding of shares, securities or rights by virtue of which the holder may receive distributions made by the company, but so that a person's holdings of different classes, and a person's holdings of the same class acquired at different times, shall be treated as separate holdings.
- (2) Holdings of shares, securities or rights which differ in the entitlements or obligations they confer or impose shall be regarded as holdings of different classes.
- (3) References to a holding in a company shall not apply, unless the contrary intention appears, to a holding consisting of shares which satisfy the following conditions:—
- (a) that they are fully paid and do not carry any right to dividends other than dividends at a rate per cent. of the nominal value of the shares which is fixed or fluctuates only with the standard rate of income tax ; and
- (b) that the rights which they carry in respect of dividends and capital are comparable with those general for fixed-dividend shares quoted on stock exchanges in the United Kingdom; and
- (c) that no part of the share capital represented by the shares has at any time been treated as paid up otherwise than by the receipt by the company of new consideration.
- (4) Sub-paragraph (3) above shall not operate in relation to any acquisition of such a holding as is there mentioned if either—
- (a) at the time of that acquisition dividends on the shares were more than twelve months in arrear and would or might become payable thereafter ; or
- (b) as a sequel to or in contemplation of that acquisition or any related acquisition of a holding in the company (but before the making of the distribution which is in question under the principal section) there has been any alteration of the rights attached to the shares or, so as materially to affect those rights or the operation of those rights, any alteration of the rights attached to or comprised in holdings of any other class in the company.

For purposes of this sub-paragraph " related acquisitions " are acquisitions by the same person or by persons acting in concert and acquisitions together comprised in arrangements made by any person.

- 3 (1) In the application of subsection (1)(a) of the principal section all the recipient's holdings of the same class in the company are to be treated as ingredients constituting a single holding, together with such holdings of other persons as are mentioned below, except that no account shall be taken under any provision of this paragraph of a person's holdings acquired before the year 1960-61.

- (2) A person's holding in a company shall be treated as an ingredient in the same holding as the recipient's if the holdings are - of the same class, and either—
- (a) the transaction in pursuance of which he acquired the holding in question and the transaction in pursuance of which the recipient acquired any holding of that class were entered into by them in concert or were together comprised in arrangements made by any person ; or
 - (b) he and the recipient are both dealers, and his trade as dealer is under the same control as that of the recipient.

For purposes of this sub-paragraph two trades shall be regarded as under the same control if they are carried on by persons one of whom is a body of persons over whom the other has control (within the meaning assigned to that expression by section 333 of the Income Tax Act 1952), or both of whom are bodies of persons under the control (as so defined) of a third person ; and for this purpose " body of persons " includes a partnership.

- (3) A holding acquired in right of another holding shall be included under sub-paragraph (2)(a) above where that other holding would be so included ; and for this purpose holdings acquired in pursuance of an offer or invitation made in respect of any holdings in the company and restricted to the holders thereof shall be treated as acquired in right of their holdings.

Time of acquisition.

- 4 (1) A person having more than one holding of the same class in a company and selling or otherwise disposing of a part only shall be regarded as selling or disposing of a holding or part of a holding acquired earlier rather than one acquired later.
- (2) Where at the time when a dealer's trade is set up and commenced (or is to be treated in computing the trading income for corporation tax or income tax as set up and commenced) a holding is included in the trading stock, or profits from a sale of it would otherwise form part of the trading profits, the holding shall be regarded as having been acquired at that time; but where there is a change in the persons engaged in carrying on a trade, and a new trade is not on that change to be so treated as set up and commenced, the principal section shall apply to the person so engaged after the change as if there had been done to or by him anything done to or by his predecessor since the time when the trade was set up and commenced (or is to be so treated as having been set up and commenced).
- (3) A company acquiring from another company (neither of them being a dealer) a holding in a third company at a time when the three companies are associated shall, for the purpose of determining how far, if at all, a distribution made in respect of the holding is made out of profits arising to the third company since the acquisition, be treated as having acquired the holding at the time when that other company acquired it (or, if this sub-paragraph applies also to that acquisition, is to be treated as having acquired it) or at the time, if it is later, when the said three companies became associated.

For this purpose " associated " means as regards two companies, that one is a subsidiary of the other or both are subsidiaries of a third company and, as regards three or more companies, that one is associated with each of the others ; and a company shall be deemed to be a subsidiary of another if (within the meaning of section 42 of the Finance Act 1938) more than one-half of its ordinary share capital

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is owned by that other, whether directly or through one or more bodies corporate or partly directly and partly through one or more bodies corporate.

Relation of distribution to profits.

- 5 (1) Subject to paragraph 7 below, the question how far a distribution made in respect of a holding of any class is to be treated as made out of profits arising to the company since the time when the holding was acquired shall be determined by taking the profits arising to the company since that time and seeing what proportion of that distribution and the distributions made with it on other holdings of the same class can be met out of those profits, after allowing for previous distributions made since that time on holdings of that class and for distributions made or not yet made on holdings not of that class (including any such holdings as are described in paragraph 2(3) above); and for this purpose there shall be treated as included in any distribution or part of a distribution the income tax thereon for which the company is liable to account under this Act.
- (2) The allowance to be made under sub-paragraph (1) above for previous distributions made since the time there referred to on holdings of the same class is the amount which, in the case of those distributions, is treated under that sub-paragraph as made out of the profits arising to the company since that time.
- (3) The allowance to be made under sub-paragraph (1) above for distributions on holdings not of the class in question shall be such amount, whether fixed or proportionate to the amount of the profits, as ought justly and reasonably to be set aside for making such distributions, having regard to the respective rights comprised in or attaching to holdings in the company, and on the assumption that the total amount available for distributions by the company over any period will be proportionately greater or less than the profits taken into account under sub-paragraph (1) above, according as that period is longer or shorter than the period so taken into account; and regard may be had to the fact (if it is so) that distributions for which allowance is to be made under this sub-paragraph have been treated for purposes of the principal section as paid wholly or partly out of profits arising before the period so taken into account.
- 6 (1) For purposes of paragraph 5 above, the profits arising to a company in the period between a person's acquisition of a holding and the making of a distribution on the holding shall be arrived at by ascertaining in accordance with the following sub-paragraphs the profits or loss for any accounting period wholly or partly comprised in that period and, where necessary, by the division and aggregation or apportionment of the profits or losses so ascertained.
- (2) Except as provided by sub-paragraph (3) below, the profits for any accounting period shall be ascertained according to the rules applicable under Part IV of this Act to the computation for corporation tax of the total profits of the company (losses of any description except those related to chargeable gains being deducted from profits of any description), except that—
- (a) franked investment income and group income shall be included ; and
 - (b) no regard shall be had—
 - (i) to any investment allowances, initial allowances or balancing charges, to any scientific research allowance in respect of expenditure incurred after 5th November 1962 or to so much of any writing down allowance made at a rate determined under section 38 or 39 of the Finance Act 1963 (free depreciation in development

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- districts) or under section 14 of this Act as exceeds an allowance at a yearly rate of fifteen per cent. of the relevant amount of expenditure; or
- (ii) to any deduction falling to be made in respect of losses, allowances or expenses of management of any other period, except any deduction falling to be made against chargeable gains in respect of losses incurred before the accounting period; or
 - (iii) to any restriction on the deduction that may be made for directors' remuneration ;
- (c) there shall be deducted—
- (i) any charges on income; and
 - (ii) the corporation tax payable by the company in respect of the accounting period and any surtax paid by it in that period under section 249 of the Income Tax Act 1952 as applied by the provisions of Part IV of this Act about close companies.

This sub-paragraph shall apply for ascertaining a loss sustained by a company in an accounting period as it applies for ascertaining the profits of a company for an accounting period.

- (3) Where a company has a holding in another body corporate resident in the United Kingdom, and—
- (a) that holding was acquired by it before the recipient acquired his holding in the company ; and
 - (b) on the assumption that the company's holding and any other relevant holdings in the body corporate were acquired when the recipient acquired his holding in the company, the company's holding in the body corporate would be treated for purposes of the principal section as amounting to, or being an ingredient in a holding amounting to, ten per cent. of all holdings of the same class in the body corporate;

then any distribution made to the company in respect of that holding shall be brought into account under sub-paragraph (2) above only to the extent to which it would, on the said assumption, be treated under this Schedule as made out of profits arising to the body corporate since the time when the holding was acquired:

Provided that this sub-paragraph shall not apply to a distribution which, on the said assumption, would fall within subsection (8) of the principal section.

Transitional.

- 7 (1) For the application of section 4 of the Finance (No. 2) Act 1955 to dividends paid before the year 1966-67 the profits or gains arising in any period from a trade shall, notwithstanding that those profits or gains are within the charge to corporation tax, be computed in accordance with paragraph 5(2)(a) of Schedule 3 to that Act as if they were within the charge to income tax.
- (2) As regards distributions made in or after the year 1966-67 in respect of holdings acquired before that year.—
- (a) paragraphs 5 and 6(1) and (2) above shall be applied in relation to the period beginning with that year, as if the acquisition had been made at the beginning of that year, and paragraph 6(3) shall not apply; but

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- (b) as regards the period before the beginning, of that year there shall be ascertained, as if for purposes of section 4 of the Finance (No. 2) Act 1955, whether there were profits of the company arising since the date of the acquisition and available at the beginning of that year for payment of the distribution or, if not, whether the company had incurred a loss between the date of the acquisition and the beginning of that year, and any such profits or loss shall be brought into account under paragraph 6(2) above by adding the amount of the profits or deducting the amount of the loss in the computation for the accounting period or part of an accounting period ending first after the beginning of that year.
- 8 (1) As respects dividends paid before the year 1966-67 section 4 of the Finance (No. 2) Act 1955 shall have effect for corporation tax notwithstanding the exclusion from the charge to corporation tax of distributions received from companies resident in the United Kingdom ; and any other enactment operating by reference to the said section 4 shall apply accordingly.
- (2) Where—
- (a) a company carries on a trade other than such a trade as is mentioned in subsection (1) of section 4 of the Finance (No. 2) Act 1955 ; or
- (b) the business of a company consists wholly or mainly in the making of investments;

and in the year 1965-66 the company receives a dividend the net amount of which would, if the company carried on such a trade as is mentioned in the said subsection (1), be required to any extent to be brought into account for tax purposes as a trading receipt which has not borne tax, then so much of the said net amount as would have been required to be brought into account as aforesaid shall for the purpose of corporation tax in respect of chargeable gains be treated as if it were a capital distribution (within the meaning of Part III of this Act) received in respect of the stock or shares on which the dividend is paid, and to that extent paragraph 2(1) of Schedule 6 to this Act shall not apply thereto.

SCHEDULE 18

Section 79.

SUPPLEMENTARY PROVISIONS ABOUT CLOSE COMPANIES.

PART I

INTERPRETATION GENERALLY.

" Close company " and " associated company ".

- 1 (1) For purposes of Part IV a " close company " is one which is under the control of five or fewer participators or of participators who are directors, except that the expression does not apply—
- (a) to a company not resident in the United Kingdom; or
- (b) to a registered industrial and provident society within the meaning of section 442 of the Income Tax Act 1952, or to a building society within the meaning of section 445 of that Act or any other company to which section 445 applies ; or

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- (c) to a company controlled by or on behalf of the Crown, and not otherwise a close company; or
 - (d) to a company falling within sub-paragraph (4) below.
- (2) Subject to sub-paragraph (4) below, a company resident in the United Kingdom (but not falling within sub-paragraph (1)(b) above) is also a close company if, on the assumption that it is so or on the assumption that it and any other such company or companies are so, more than half of any amount falling under Part IV of this Act to be apportioned for purposes of surtax in the case of the company could be apportioned among five or fewer participators or among participators who are directors.
- (3) A company is not to be treated as being at any time a close company if shares in the company carrying not less than thirty-five per cent. of the voting power in the company (and not being shares entitled to a fixed rate of dividend, whether with or without a further right to participate in profits) have been allotted unconditionally to, or acquired unconditionally by, and are at that time beneficially held by, the public, and any such shares have within the preceding twelve months been the subject of dealings on a recognised stock exchange, and the shares have within those twelve months been quoted in the official list of a recognised stock exchange ; but for this purpose shares shall not be deemed to be allotted to, or acquired or held by, the public if they are allotted to, or acquired or held by—
- (a) any director or associate of a director of the company ; or
 - (b) any company which is under the control of any such director or associate or of two or more persons each of whom is such a director or associate ; or
 - (c) any associated company of the company.

In this sub-paragraph " share " includes " stock ".

- (4) A company is not to be treated as a close company in any case where—
- (a) by reason of beneficial ownership of shares in the company the control of it is in the hands of a company which is not a close company or of two or more companies none of which is a close company; and
 - (b) it could only be treated as a close company as being under the control of five or fewer participators, and it cannot be so treated except by taking as one of the participators a company which is not a close company;

but so that references in this sub-paragraph to a close company shall be construed as applying to any company which, if resident in the United Kingdom, would be a close company.

- (5) For the purposes of this paragraph a company is to be treated as controlled by or on behalf of the Crown if, but only if, it is under the control of the Crown or of persons acting on behalf of the Crown, independently of any other person ; and where a company is so controlled, it shall not be treated as being otherwise a close company, unless it can be treated as a close company as being under the control of persons acting independently of the Crown.

- 2 For purposes of the provisions of this Act relating to close companies, a company is to be treated as another's " associated company " at a given time if at that time, or at any time within one year previously, one of the two has control of the other or both are under the control of the same person or persons.

" Control ".

- 3 (1) For purposes of this Schedule a person shall be taken to have control of a company—

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- (a) if he exercises, or is able to exercise, or is entitled to acquire, control, whether direct or indirect, over the company's affairs, and in particular, but without prejudice to the generality of the preceding words, if he possesses or is entitled to acquire, the greater part of the share capital or voting power in the company; or
- (b) if he possesses or is entitled to acquire, either—
 - (i) the greater part of the issued share capital of the company ; or
 - (ii) such part of that capital as would, if the whole of the income of the company were in fact distributed to the members, entitle him to receive the greater part of the amount so distributed ; or
 - (iii) such redeemable share capital as would entitle him to receive on its redemption the greater part of the assets which, in the event of a winding up, would be available for distribution among members ; or
- (c) if in the event of a winding up he would be entitled to the greater part of the assets available for distribution among members.

Where two or more persons together satisfy any of the conditions in paragraphs (a) to (c) above, they shall be taken to have control of the company.

- (2) In sub-paragraph (1) above " member " includes any person having a share or interest in the capital or income of the company, and for purposes of that sub-paragraph a person shall be treated as entitled to acquire anything which he is entitled to acquire at a future date or will at a future date be entitled to acquire ; but for the purposes of sub-paragraph (1)(b)(iii) and (c) any such loan creditor as is mentioned in paragraph 4(1)(b) below may be treated as a member (and the references to share capital as including loan capital).
- (3) For purposes of sub-paragraph (1) above there shall be attributed to any person any rights or powers of a nominee for him, that is to say, any rights or powers which another person possesses on his behalf or may be required to exercise on his direction or behalf.
- (4) For purposes of sub-paragraph (1) above there may also be attributed to any person all the rights and powers of any company of which he has, or he and associates of his have, control or any two or more such companies, or of any associate of his or of any two or more associates of his, including those attributed to a company or associate under sub-paragraph (3) above but not those attributed to an associate under this sub-paragraph ; and such attributions shall be made under this sub-paragraph as will result in the company being treated as under the control of five or fewer participators, if it can be so treated.

" Participator " and " associate ".

- 4 (1) For purposes of Part IV a " participator " is, in relation to any company, a person having a share or interest in the capital or income of the company and, without prejudice to the generality of the preceding words, includes—
 - (a) any person who possesses or is entitled to acquire share capital or voting rights in the company;
 - (b) any person who is a loan creditor of the company otherwise than in respect of any loan capital or debt issued or incurred by the company for money lent by him to the company in the ordinary course of a business of banking carried on by him;

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- (c) any person who possesses or is entitled to acquire a right to receive or participate in distributions of the company (as defined in Part I of Schedule 11 to this Act) or any amounts payable by the company (in cash or in kind) to loan creditors by way of premium on redemption ;
 - (d) any person who is entitled to secure that income or assets (whether present or future) of the company will be applied directly or indirectly for his benefit.
- (2) In sub-paragraph (1) above references to being entitled to do anything apply where a person is presently entitled to do it at a future date or will at a future date be entitled to do it; and " loan creditor" means a creditor in respect of any redeemable loan capital issued by the company or in respect of any debt incurred by the company, being a debt—
- (a) for money borrowed or capital assets acquired by the company; or
 - (b) for any right to receive income created in favour of the company; or
 - (c) for consideration the value of which to the company was (at the time when the debt was incurred) substantially less than the amount of the debt (including any premium thereon).
- 5 For purposes of the provisions of this Act relating to close companies, including this Schedule, " associate " means, in relation to a participator.—
- (a) a person in any of the following relationships to the participator, that is to say, husband or wife, parent or remoter forebear, child or remoter issue, brother or sister, and partner;
 - (b) the trustee or trustees of any settlement in relation to which the participator is, or any such relative of his (living or dead) as is mentioned in sub-paragraph (a) above is or was, a settlor (" settlement " and " settlor " here having the same meaning as in Chapter III of Part XVIII of the Income Tax Act 1952, and " relative " including a husband or wife);
 - (c) where the participator is interested in any shares or obligations of the company which are subject to any trust or are part of the estate of a deceased person, any other person interested therein;
- and has a corresponding meaning in relation to a person other than a participator.

" Director " and " whole-time service director ".

- 6 (1) For purposes of the provisions of this Act relating to close companies, including this Schedule, " director " and " whole-time service director " have the meanings assigned to them by this paragraph.
- (2) " Director " includes any person occupying the position of director by whatever name called, any person in accordance with whose directions or instructions the directors are accustomed to act and any person who—
- (a) is a manager of the company or otherwise concerned in the management of the company's trade or business ; and
 - (b) is remunerated out of the funds of that trade or business; and
 - (c) is, either on his own or with one or more associates, the beneficial owner of, or able, directly or through the medium of other companies or by any other indirect means, to control twenty per cent. or over of the ordinary share capital of the company (" ordinary share capital" here meaning all the issued share capital, by whatever name called, other than capital the holders whereof have a right to a dividend at a fixed rate or a rate fluctuating in

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accordance with the standard rate of income tax, but have no other right to share in the profits of the company).

- (3) " Whole-time service director" means a director who is required to devote substantially the whole of his time to the service of the company in a managerial or technical capacity, and is not, either on his own or with one or more associates, the beneficial owner of, or able, directly or through the medium of other companies or by any other indirect means, to control, more than five per cent. of the ordinary share capital of the company (" ordinary share capital" here having the same meaning as in sub-paragraph (2)(c) above):

Provided that a person is not to be treated as a whole-time service director if, on an amount equal to the whole distributable income of the company (computed without regard to the restriction on deductions for directors' remuneration) falling under Part IV of this Act to be apportioned for purposes of surtax, more than five per cent. of that amount could be apportioned to him together with his associates (if any).

PART II

PROVISIONS SPECIALLY RELATED TO SHORTFALLS IN OR APPORTIONMENT OF DISTRIBUTIONS.

Descriptions of profits or income.

- 7 (1) The " distributable profits " of a company for an accounting period shall be the amount on which corporation tax falls finally to be borne, less the amount of that tax, but with additions equal to—
- (a) any deduction made by virtue of section 87 of this Act by way of allowance in respect of any source of income; and
 - (b) any franked investment income, less the amount of any relief given against it for management expenses or charges on income ;
 - (c) any group income.
- (2) The " distributable income " of a company for an accounting period shall be the amount of the distributable profits exclusive of the part attributable to chargeable gains, which shall be taken to be the amount of the chargeable gains on which corporation tax is finally borne less the amount of that tax.
- (3) The " distributable investment income " of a company for an accounting period shall be the amount of the distributable income exclusive of the part attributable to estate or trading income and less whichever is the smaller of—
- (a) ten per cent. of the estate or trading income ; and
 - (b) £200 or, if the accounting period is of less than twelve months, a proportionately reduced amount.
- (4) The " estate or trading income " of a company means the income of the following descriptions:—
- (a) income which is not investment income for purposes of paragraph 8(1) below ; and
 - (b) income which is chargeable to tax under Schedule B or which is chargeable to tax under Schedule D and, not being yearly or other interest, arises from

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the ownership or occupation of land (including any interest in or right over land) or from the letting furnished of any building or part of a building.

- (5) The amount for part of an accounting period of any description of income referred to in this paragraph shall be a proportionate part of the amount for the whole period, and, in determining the amount for any period of any description of income, any deduction from the company's profits for charges on income, expenses of management or other amount deductible from profits of more than one description shall be treated as made from such profits, and in such proportions from those profits, as is appropriate.

" Trading company " and " trading group " .

- 8 (1) For purposes of the provisions of this Act relating to close companies, including this Schedule, a " trading company " is any company which exists wholly or mainly for the purpose of carrying on a trade and any other company whose income does not consist mainly of investment income, that is to say, income which, if the company were an individual, would not be earned income; but for this purpose any amount which is apportioned to a company under this Act, and any such amount as, in relation to a company to which section 245 of the Income Tax Act 1952 applied, is directed by any enactment to be treated as investment income, shall be deemed to be income of the company and to be investment income.
- (2) For the said purposes a company is to be treated as a " member of a trading group " if, but only if—
- (a) it exists wholly or mainly for the purpose of co-ordinating the administration of a group of two or more companies each of which is under its control and exists wholly or mainly for the purpose of carrying on a trade ; or
 - (b) it is under the control of another company resident in the United Kingdom and not itself under the control of a third company, and it exists wholly or mainly for the purpose of a trade or trades carried on by that other company or by a group which, consisting of that other company and a company or companies also under its control and resident in the United Kingdom, exists wholly or mainly for the purpose of carrying on the said trade or trades:

Provided that a company shall not be treated as a member of a trading group by reason of any company having the control of another, if that control is exercised through a company which is not resident in the United Kingdom or through a company whose control depends on a holding a profit on the sale of which would be treated as a trading receipt of the company.

Amounts to be taken into account as distributions for accounting periods.

- 9 (1) For the purpose of the provisions of this Act relating to shortfalls in the distributions of a close company the distributions for an accounting period shall be taken, subject to sub-paragraph (2) below, to consist of—
- (a) any dividends which are paid for the period and paid during or within twelve months after the period; and
 - (b) any amount by which the directors' remuneration paid for the period exceeds the deduction allowed for it in computing the income of the period ; and
 - (c) all distributions made in the period except dividends which in relation to any previous period would fall under paragraph (a) above.

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- (2) Where a period of account is not an accounting period, dividends which, if it were an accounting period, would be treated under sub-paragraph (1)(a) above as distributions for that accounting period shall be apportioned to any accounting period or part of an accounting period falling within the period of account in proportion to the distributable income of each such period or part.

Procedure.

- 10 The following provisions of the Income Tax Act 1952 (which relate to appeals and to powers to obtain information) that is to say, section 248(2) and (3), section 250(3), (4) and (5) and section 264, shall apply in relation to section 78 of this Act with the necessary adaptations, references to a company to which section 245 of that Act applies or to an investment company being read as references to a close company and, in section 264(1), as extending to any company which appears to the Board to be a close company; and the powers conferred on the Board in relation to section 78 of this Act by the said sections 250(3) and 264 shall be exercisable by the inspector in relation to section 77 of this Act.
- 11 (1) A close company may, at any time after the general meeting at which the accounts for any period of account are adopted, forward to the inspector a copy of those accounts, together with a copy of the report, if any, of the directors for that period, and such further information, if any, as it may think fit, and may request the inspector to proceed under this paragraph in relation to any accounting period comprised in that period of account :
- Provided that this sub-paragraph shall not apply if the company is neither a trading company nor a member of a trading group and has no estate or trading income.
- (2) Where the inspector receives a request made in accordance with sub-paragraph (1) above in relation to any accounting period, then subject to sub-paragraph (3) below he shall, within three months after receipt of the request, intimate to the company whether or not he proposes to make an assessment on the company in respect of the accounting period under section 77 of this Act.
- (3) On receiving a request made in accordance with sub-paragraph (1) above the inspector may, not later than three months after receipt of the request, call on the company to furnish him with such further particulars as he may reasonably require ; and if he does so, the time for giving the intimation required by sub-paragraph (2) above shall not expire before three months after he has been furnished with those particulars.
- (4) Where the inspector receives a request made in accordance with sub-paragraph (1) above in relation to any accounting period, and does not within the time limited by sub-paragraphs (2) and (3) intimate his intention to make an assessment in respect of the period, no such assessment shall be made unless either—
- (a) the information accompanying the request, and any further particulars furnished to the inspector in connection therewith, are not such as to make full and accurate disclosure of all facts and considerations which are material to be known to the inspector ; or
 - (b) within twelve months of the end of the period paragraph 12 or 13 below has effect in relation to the company.

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Cessation of trade and liquidations.

- 12 (1) Where a close company ceases to carry on the trade, or the business of holding investments, in which its activities wholly or mainly consisted, then, subject to sub-paragraph (2) below but notwithstanding any other provision limiting the required standard of distributions, the required standard for any accounting period in which that event occurs, or which ends in or with the twelve months ending with that event, shall be calculated on the whole, instead of sixty per cent., of the estate or trading income (if any) taken into account and without any deduction in respect of the requirements of the business.
- (2) Where sub-paragraph (1) above applies to an accounting period and the company shows that the company could not make distributions up to the required standard without prejudice to the claims of creditors (excluding those mentioned in sub-paragraph (3) below), then for purposes of section 77 of this Act so much of the shortfall as the company shows could not be avoided without prejudice to those claims shall be disregarded.

Where this sub-paragraph applies a reference to it shall be substituted in section 78(3) of this Act for the reference to section 77(4).

- (3) The creditors excluded for the purpose referred to in sub-paragraph (2) above are all participators and associates of participators, and all creditors in respect of debts originally created in favour of or due to a person who was then a participator or associate of a participator:

Provided that a creditor is not to be excluded in respect of any debt which either—

- (a) arose in the ordinary course of the company's trade or the company's business of holding investments and also in the ordinary course of a trade or profession of the creditor or, as the case may be, of the participator or associate who was the original creditor ; or
 - (b) is a debt for remuneration chargeable to income tax under Schedule E; or
 - (c) is a debt for any rent or other payment due for the use of tangible property or of copyright in a literary, dramatic, musical or artistic work within the meaning of the Copyright Act 1956 (or any corresponding right under the law of a country to which that Act does not extend), and not representing more than a reasonable commercial consideration for that use.
- 13 (1) Paragraph 12 above shall apply where a resolution is passed or an order is made for the winding up of a close company, or where any other act is done for a like purpose in the case of a winding up otherwise than under the Companies Act 1948, as that paragraph applies in a case falling within sub-paragraph (1) of it.
- (2) Where an event mentioned in sub-paragraph (1) above occurs in the case of a close company, then any assessment on the company in respect of a shortfall in distributions for an accounting period which ends in or with the twelve months ending with that event, shall be an assessment as for a distribution made immediately before that event, and the amount due under the assessment shall be recoverable accordingly.
- (3) Where after any such event the company carries on a trade or a business of holding investments, then sections 77 and 78 of this Act shall, notwithstanding the winding up, continue to apply as if the company were not being wound up, and paragraph 12 above shall apply for any accounting period ending after the date of that event.

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Transitional and consequential.

- 14 (1) Sections 77 and 78 of this Act shall not have effect as regards any accounting period or part of an accounting period falling before the beginning of the year 1966-67.
- (2) As regards income arising to a company before the end of the year 1965-66 Chapter III of Part IX of the Income Tax Act 1952 shall continue to have effect, and the income of a company to be taken into account under that Chapter shall include income chargeable to corporation tax, subject to the following provisions:—
- (a) in deciding under section 245 whether a company has distributed a reasonable part of its actual income account may be taken of amounts treated under paragraph 9 above as distributions for a period after the end of the year 1965-66, but only to the extent to which they exceed the required standard ; and
- (b) section 249(5) shall have effect subject to the like limitation as is imposed by section 78(7)(d) of this Act for purposes of section 78.
- (3) Where a period of account or an accounting period of a company falls partly in the year 1965-66, and partly in the year 1966-67, the two parts shall for purposes of the said Chapter III or, as the case may be, the said sections of this Act be dealt with as separate accounting periods:

Provided that—

- (a) where under paragraph 9(2) above it is necessary to apportion any dividends treated as dividends for any such period of account, it shall be done according to the proportion which the income of the part falling in the year 1965-66, computed as for the said Chapter III (but less income tax at the standard rate), bears to the distributable income for the part falling in the year 1966-67 ; and
- (b) where the distributions for any such accounting period are to be treated as including any amount in respect of the directors' remuneration, then—
- (i) in the case of a trading company, that amount shall be apportioned between the two parts of the period, and the amount apportioned to the earlier may be treated for purposes of the said Chapter III as income distributed by the company;
- (ii) in the case of a company other than a trading company, the whole amount shall be taken into account in the part of the period falling in the year 1966-67.
- 15 (1) In relation to income arising in or after the year 1966-67 section 411(1)(b) of the Income Tax Act 1952 (which defines " income arising under a settlement " for certain purposes relating to revocable settlements etc.) shall have effect with the substitution for the reference to Chapter III of Part IX of that Act of a reference to section 78 of this Act; and in relation to that and subsequent years of assessment there shall be substituted for subsection (4) of that section—
- “(4) For the purposes of this Chapter, a body corporate shall be deemed to be connected with a settlement in any year of assessment if, within the meaning of Part IV of the Finance Act 1965, it is at any time in the year a close company (or only not a close company because it is not resident in the United Kingdom) and the participators then include the trustees of or a beneficiary under the settlement.”
- (2) In relation to the year 1966-67 and later years of assessment—

- (a) in section 412(8)(d) of the Income Tax Act 1952 (which provides for amounts apportioned to a person under Chapter III of Part IX of that Act to be treated as his income for certain purposes) for the words " Chapter III of Part IX of this Act" there shall be. substituted the words " section 78 of the Finance Act 1965 "; and
- (b) in section 414(4) of that Act (which relates to the information a solicitor may be required to furnish under that section about transactions resulting in transfers of income to persons abroad) for the words from " The bodies corporate " onwards there shall be substituted the words—

“The bodies corporate mentioned in the preceding provisions of this section are bodies corporate resident or incorporated outside the United Kingdom which are, or if resident in the United Kingdom would be, close Companies, but not trading companies, within the meaning of Part IV of the Finance Act 1965.”.

- (3) Any amount apportioned under section 78 of this Act to the personal representatives of a deceased person shall be treated as included as regards surtax in the aggregate income of the estate for purposes of Part XIX of the Income Tax Act 1952.

SCHEDULE 19

Section 83.

SUPPLEMENTARY PROVISIONS ABOUT DIVIDEND INCREASES IN 1965-66.

Preliminary.

- 1 (1) This Schedule has effect for the modification of section 83 of this Act (" the principal section ") in relation to companies, being bodies corporate, which are members of a group of companies.
- (2) For purposes of this Schedule, save as otherwise provided therein.—
 - (a) two companies shall be deemed to be members of a group of companies if one is the subsidiary of the other or both are subsidiaries of a third company ;
 - (b) " subsidiary " has the meaning assigned to it for certain purposes of the profits tax by section 42 of the Finance Act 1938, and subsections (2) and (3) of that section shall apply as they applied for purposes of that section ;
 - (c) " dividend " does not include a capital dividend.
- (3) References in this Schedule to a company apply only to companies resident in the United Kingdom ; and in determining for purposes of this Schedule whether one company is a subsidiary of another, the other company shall be treated as not being the owner—
 - (a) of any share capital which it owns directly in a body corporate if a profit on a sale of the shares would be treated as a trading receipt of its trade ; or
 - (b) of any share capital which it owns indirectly, and which is owned directly by a body corporate for which a profit on the sale of the shares would be a trading receipt; or
 - (c) of any share capital which it owns directly or indirectly in a body corporate not resident in the United Kingdom.

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Company paying dividends within the group.

- 2 Where in the year 1965-66 a company pays a gross amount in dividends greater than the standard amount, but any of those dividends are paid to another member of the same group of companies, the amount to be treated under subsection (1) of the principal section as dividends paid in the year 1966-67 shall be such part only of the excess as is proportionate to the gross amount of the dividends (if any) paid otherwise than to members of the same group.

Company receiving dividends from within the group.

- 3 (1) Subject to paragraph 4 below, where a company's profits in the financial year 1965 (as ascertained for purposes of the principal section) include dividends paid in the year 1965-66 by a member of the same group of companies, and that member pays in the year 1965-66 a gross amount in dividends greater than its standard amount, then there shall, except as provided in sub-paragraph (2) below, be deducted from the said profits as so ascertained an amount equal to such part of the excess as bears to the whole the same proportion as the gross amount of the part of those dividends which is included in the profits bears to the gross amount of all the dividends paid by the said member in the year 1965-66.
- (2) Sub-paragraph (1) above shall not apply to the computation of a company's profits in the financial year 1965 unless the profits include a gross amount of dividends received by it from members of the same group of companies in excess of one-third of the gross amount of the dividends received by the company in its standard period from companies then being members of the same group of companies (or if the standard period is less than three years, an amount bearing to the dividends last mentioned the same proportion as one year bears to the standard period); and where in computing a company's profits for the financial year 1965 a deduction would fall to be made under sub-paragraph (1) above, the company may elect that instead there shall be made a deduction equal to the excess referred to in this sub-paragraph.
- (3) This paragraph shall apply where for purposes of the principal section a company's profits in the financial year 1965 are ascertained by reference to some period ending in that year, but not where its profits for another period are substituted for its profits in the financial year 1965.
- (4) Any election under this paragraph shall be made by notice in writing given to the inspector before the end of the year 1966-67.

Alternative treatment of company receiving dividends from within the group.

- 4 (1) Where in the year 1965-66 a company has one or more subsidiaries and is not itself the subsidiary of another company, the company may elect that the following provisions of this paragraph shall apply to it, and if it does so, paragraph 3 above shall not apply.
- (2) Where this paragraph applies to a company, the company's standard amount of dividends for purposes of the principal section shall be arrived at—
- (a) by aggregating the dividends paid by the company in its standard period with those then paid by the companies which are from time to time its subsidiaries in that period, but excluding such of those dividends as are paid by one of the companies concerned to another ; and

- (b) by aggregating the share capital of the company in any period with that of the companies which are from time to time its subsidiaries in that period, but excluding any share capital which is directly owned by any of the companies concerned (and disregarding any share capital so owned in the application of subsection (8)(a) and (b) of the principal section); and
- (c) by treating as profits or losses of the company in any period the profits or losses of the companies which are from time to time its subsidiaries in that period, but disregarding in the computation of any such profits or losses franked investment income (within the meaning of the profits tax) received from any of the companies concerned.

For purposes of paragraph (b) above the initial capital of a subsidiary in relation to any period, if it became a subsidiary during the period, shall be ascertained as at the time when it did so.

- (3) There shall be aggregated the gross amount of the dividends paid in the year 1965-66 by a company to which this paragraph applies and by any companies which are its subsidiaries, but so that—
 - (a) there shall be excluded dividends paid by one of the companies concerned to another ; and
 - (b) from the aggregate dividends paid by the subsidiaries other wise than to any of the companies concerned there shall be deducted the amounts (if any) which under the principal section the subsidiaries are treated as paying in the year 1966-67 ;

and for purposes of the principal section the amount so arrived at shall be treated as the gross amount of the dividends paid in the year 1965-66 by the company to which this paragraph applies.

- (4) Any election under this paragraph shall be made by notice in writing given to the inspector before the end of the year 1966-67.

Adjustments in respect of dividends received from overseas trade corporations.

- 5 (1) Where paragraph 3 or 4 above has effect in determining for purposes of the principal section whether in the year 1965-66 a company pays a gross amount in dividends greater than the standard amount, and the company's profits in the financial year 1965 include dividends paid out of exempt trading income by overseas trade corporations which are members of the same group of companies, then the gross amount of dividends which the company is apart from this paragraph to be treated under the principal section as paying in the year 1966-67 shall be reduced by the amount on which income tax at the standard rate for the year 1966-67 is equal to the income tax payable by those overseas trade corporations on exempt trading income in respect of dividends paid thereout to the company in the year 1965-66, subject, however, to the limitation imposed by sub-paragraph (2) below on the amount of the exempt trading income to be taken into account under this paragraph.
- (2) The exempt trading income to be taken into account under this paragraph shall not exceed the following fraction of the gross amount of dividends which the company is apart from this paragraph to be treated under the principal section as paying in the year 1966-67, that is to say.—
 - (a) where paragraph 3 has effect in relation to the company, the fraction obtained by dividing by the amount of the company's profits in the financial year 1965 (as ascertained for purposes of the principal section) the gross amount of

- the dividends included therein which are paid by any such overseas trade corporations as aforesaid out of exempt trading income ; and
- (b) where paragraph 4 above has effect in relation to the company, the fraction obtained by dividing by the amount taken under paragraph 4(2)(c) above as the profits of the company in the financial year 1965 the amount included therein of exempt trading income of such overseas trade corporations as aforesaid.
- (3) Where sub-paragraph (2) above has effect in the case of the company to exclude part of the exempt trading income of other members of the same group, the part to be taken into account shall be such as that company may select.
- (4) In relation to a dividend paid partly out of exempt trading income and partly not, this paragraph shall apply as if the two parts were separate dividends, and any question how far a dividend is paid out of exempt trading income, or out of what exempt trading income a dividend is paid, shall be determined for purposes of this paragraph as it is determined for purposes of Part IV of the Finance Act 1957.
- (5) Where for purposes of the principal section the company's profits in the financial year 1965 are ascertained by reference to some period ending in that year, references in this paragraph to the financial year 1965 shall be construed as referring to that period ; but where the company's profits for another period are substituted for its profits in the financial year 1965, this paragraph shall not apply.

SCHEDULE 20

Section 84.

SUPPLEMENTARY PROVISIONS ABOUT TRANSITIONAL RELIEF FOR EXISTING COMPANIES WITH OVERSEAS TRADING INCOME.

Application and interpretation of Schedule.

- 1 (1) This Schedule has effect for the modification of section 84 of this Act (" the principal section ") in its application to companies which have been overseas trade corporations, and to companies (being bodies corporate) which are members of a group of companies or are otherwise associated with other companies; and in this Schedule " relief " (unless the context otherwise requires) means relief under the principal section.
- (2) For purposes of this Schedule, save as otherwise provided therein.—
- (a) two companies shall be deemed to be members of a group of companies if one is the subsidiary of the other or both are subsidiaries of a third company ;
- (b) a company shall be deemed to be a subsidiary of another if and so long as more than one-half of its ordinary share capital is owned by that other company, whether directly or through another body corporate or other bodies corporate, or partly directly and partly through another body corporate or other bodies corporate ;
- (c) the interest of one company in another shall be deemed to be proportionate to the part of the ordinary share capital of the other owned as aforesaid by that company.
- (3) References in this Schedule to a company apply (unless otherwise stated) only to companies resident in the United Kingdom, and in determining for purposes of this

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Schedule whether one company is a subsidiary of another, or what interest in a company another company has, the other company shall be treated as not being the owner—

- (a) of any share capital which it owns directly or indirectly in a body corporate not resident in the United Kingdom ; or
 - (b) of any share capital which it owns indirectly, and which is owned directly by a body corporate for which a profit on the sale of the shares would be a trading receipt.
- (4) References to ownership and to ordinary share capital in this Schedule shall be construed in accordance with section 42(3) of the Finance Act 1938 ; and, except in so far as sub-paragraph (3) provides otherwise, section 42(2) of that Act together with Part I of Schedule 4, shall apply for purposes of this Schedule as they applied for purposes of that section.

Overseas trade corporations.

- 2 (1) For purposes of the principal section a company which has at any time been an overseas trade corporation shall be treated as if it had never been an overseas trade corporation and, subject to sub-paragraph (2) below, as if it had been charged to income tax and profits tax, or corporation tax, and been given credit for foreign tax accordingly.
- (2) Where a company is an overseas trade corporation in the year 1965-66, then—
- (a) in respect of any amount taken into account by virtue of sub-paragraph (1) above as income in the base year there shall be treated as allowed credit for foreign tax equal to the income tax and profits tax treated by virtue of that sub-paragraph as charged in respect of it; and
 - (b) in arriving for any year of assessment at the adjusted aggregate amount in the related period of the unused credit for foreign tax, the unused credit for foreign tax in respect of the income from each overseas source of trading income shall be computed as if the foreign tax were 56J per cent.

Groups of companies and associated companies.

- 3 (1) Where a company claiming relief for any year of assessment is a member of a group of companies, and in claiming the relief elects that this paragraph shall have effect in relation to a member of the group specified in the claim, then for the purposes of that claim the provisions of the principal section shall be modified in accordance with this paragraph.
- (2) There shall be added to the relief (before abatement) that may be given to the company—
- (a) the appropriate fraction of the difference, if any, between—
 - (i) the amount of the relief (before abatement) available to the other member of the group ; and
 - (ii) the amount of the relief falling to be given to the other member, before abatement in respect of dividends paid without deduction of income tax ; and
 - (b) if in the year of assessment the other member has paid to the company any dividends without deduction of income tax, such fraction of the amount at

- (c)(ii) above as the amount of those dividends is of the total amount of the dividends paid by the other member in the year.
- (3) There shall be added to the adjusted aggregate amount in the company's related period of the unused credit for foreign tax the appropriate fraction of the amount, if any, by which the corresponding amount for the other member exceeds the amount of the relief (before abatement) falling to be given to the other member.
- (4) The provisions of the principal section for reducing the relief by reference to the income tax deducted or deductible from dividends paid by the company claiming relief shall have effect subject to the following provisions:—
- (a) there shall be treated as an amount of income tax .so deducted or deductible any amount by which the income tax deducted from dividends paid to it by the other member of the group (and not repaid to the company by virtue of section 62 of this Act) exceeds the appropriate fraction of the relief falling to be given to the other member in that year, before abatement in respect of dividends paid without deduction of income tax ; and
 - (b) there shall be taken into account in the case of the company as if it were its income charged to corporation tax, and as if it were its income so charged from overseas sources of trading income having an unused credit for foreign tax, the appropriate fraction of the amounts respectively falling to be taken into account as such in the case of the other member of the group, and there shall on the like principles be set against income of the company the appropriate fraction of any loss incurred by the other member of the group in a trade carried on by it so far as that loss is not taken into account as reducing the income of the other member.
- (5) In applying this paragraph to a company and another member of a group of companies, account shall be taken of the operation of sub-paragraphs (2) to (4) above in relation to the other member in determining what, if any, relief might be given to the other member (or, if the other member does not claim relief for the year of assessment, then of the operation which this sub-paragraph would have on a claim by it containing an election duly made under this paragraph in relation to such companies as may be specified in this behalf in the company's claim); and for this purpose any amount falling by virtue of sub-paragraph (4)(a) above to be treated as income tax deducted or deductible from dividends paid by the other member shall be apportioned rateably between those dividends.
- (6) For the purposes of this paragraph " the appropriate fraction " in relation to a company and to another member of the same group of companies is the fraction proportionate to the interest of the company in that other member, but for this purpose the company shall be treated as not being the owner of any share capital which it owns directly or indirectly in a third company if the other member and the third company are also members together of any group of companies ; and, subject to sub-paragraph (5) above, " relief (before abatement)" means the full amount of the relief calculated in accordance with subsection (1) of the principal section apart from any reduction under the proviso to that subsection or under any later subsection, but references to relief before abatement in respect of dividends paid without deduction of income tax are references to the relief calculated apart only from any reduction under that proviso or in respect of dividends so paid.
- 4 (1) Where arrangements entered into between any companies make provision for relating to one another the amounts of the dividends paid to them respectively by companies under their joint control, relief shall not be given for any year of

assessment to a company paying dividends regulated by that provision or to a subsidiary of it, except on condition that for the purposes of that provision the dividends are treated as not exceeding the amount (before deduction of income tax) of those dividends less the relief given to the company paying them and less the appropriate fraction of the relief given to any company of which that company owns ordinary share capital, whether directly or through another body corporate or other bodies corporate.

- (2) In this paragraph " company " includes a company not resident in the United Kingdom, and " appropriate fraction " in relation to a company paying dividends regulated by any such arrangements and to another company means the fraction proportionate to the interest of the company paying the dividends in that other company.

SCHEDULE 21

Section 87.

TRANSITIONAL CESSATION RELIEF (SPECIAL RULES FOR TRADES).

- 1 (1) Except in so far as the context otherwise requires, references in section 87 of this Act (" the principal section ") and in this Schedule to a company ceasing to possess a source of income shall, in relation to a trade, include the company ceasing in respect of the trade to be within the charge to corporation tax under Case I or II of Schedule D ; and references to a company carrying on a trade or any part or activities of a trade are references to its doing so in such circumstances as to be within that charge to tax.
- (2) For purposes of the principal section the cessation period in relation to a trade shall be taken to be three years, notwithstanding that the trade has been carried on for less than three years before the year 1966-67 ; but where the appropriate fraction (that is to say in this Schedule, the appropriate fraction under subsection (2)(b) of the principal section) is to be applied to income from a trade which has been carried on by the company for a period less than three years, the appropriate fraction shall be increased in the proportion which a period of three years bears to that less period.
- (3) For purposes of the principal section, section 80(8) of this Act shall apply in relation to the whole period after the trade was set up and commenced (or is to be treated under section 19 of the Finance Act 1953 as having been set up and commenced) as, for other purposes of corporation tax, it applies from the end of the basis period for the year 1965-66, but (notwithstanding anything in section 80(8)) any allowance to the company in respect of the trade, in so far as it cannot be given to the company, shall be given to the company's predecessors.
- 2 (1) The following sub-paragraphs shall apply to the computation of a company's income from a trade for the purposes of the principal section.
- (2) No regard shall be had—
- (a) to any allowance or charge falling to be made in taxing the trade (within the meaning of Schedule 14 to this Act) ; or
 - (b) to any restriction on the deductions that may be made for directors' remuneration.
- (3) In determining what the taxed income from the trade would have been if the company had ceased to possess the trade as a source of income at the end of the year 1965-66 the computation shall be made, if need be, by division and apportionment

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or aggregation of income for accounting periods, including any period extending beyond the end of that year, and without regard to the operation of any enactment which would affect the computation on an actual discontinuance of the trade except section 130(1) of the Income Tax Act 1952, with any enactment amending it, and (when a subvention payment is in question) section 20(7) of the Finance Act 1953.

- (4) Where the taxed income referred to in subsection (1) of the principal section (whether the actual income or the income as on a cessation) falls to be ascertained partly by reference to a period in which the company incurred a loss in the trade, that income shall be ascertained as if there had been no such loss (nor any income) in that period ; but in ascertaining for purposes of subsection (2)(b) the taxed income for any period losses incurred in that period and any part of a loss apportionable to that period shall be deducted from income.
- 3 (1) If a company on ceasing at any time to possess a trade as a source of income continues to carry on any of the activities of the trade as activities of another trade, the company shall be disentitled as at that time to such part of the allowance in respect of the first-mentioned trade as is referable to those activities.
- (2) Where within two years after the time when a company ceases to possess a trade as a source of income—
- (a) the trade or any part of it is carried on by the company or by an associated company ; or
 - (b) the activities of the trade or part of them are carried on by an associated company as activities of another trade;
- the company shall be disentitled as from that time to the allowance in respect of the first-mentioned trade:
- Provided that where this sub-paragraph applies by reason only of part of the trade or part of its activities being carried on by an associated company the company shall be so disentitled only to such part of the allowance as is referable to that part of the trade or activities.
- (3) Where a company ceases at any time to carry on part of a trade, and within two years after that time that part of the trade or the activities of it are carried on by an associated company as its trade or part of its trade, the company shall be treated as having been, as from that time, disentitled to such part of any allowance in respect of the trade as is referable to that part of the trade or those activities.
- (4) Where by reason of a company carrying on a trade or part of a trade, or carrying on any activities in the course of a trade, that company or another company becomes disentitled to an allowance or part of an allowance, the allowance shall attach or remain attached to that trade (whether or not in the year 1965-66 that trade was being carried on by that company or at all).
- (5) Where under sub-paragraph (4) above an allowance or part of an allowance in respect of a trade attaches to another trade, the allowance or that part of it shall, except as regards amount, be treated for all purposes as an allowance in respect of the trade, but the amount shall not be affected except as follows:—
- (a) the appropriate fraction shall be applied to the taxed income from that other trade, and subsection (2) proviso of the principal section shall apply to the other trade ; and
 - (b) the aggregate amount of the allowances to be given in respect of the trade on a company ceasing to possess it as a source of income, if there are more than

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one such allowance, shall not exceed the amount specified by subsection (2) (b) of the principal section for that one of the allowances having the highest appropriate fraction.

- (6) For purposes of this paragraph the part of an allowance referable to any part of a trade or to any activities of a trade shall be determined, in relation to an event occurring at any time, by taking the amount of the allowance (as if on the company ceasing at that time to possess the trade as a source of income) and by apportioning that amount between that part or those activities of the trade and the remainder, according to the proportions in which the taxed income of the company from the trade is attributable thereto during the period of three years ending with that event (or any less period during which the company has carried on the trade), or, if there is no such taxed income, then by apportioning it in such other manner as may in the circumstances be just; but for determining the part of the allowance which is attached to a trade after that event the amount of the allowance shall be taken without regard to paragraph (b) of or the proviso to subsection (2) of the principal section.
- (7) Where under this paragraph a company becomes disentitled to an allowance or part of an allowance after the allowance or that part of it has been given to it or to another company, the allowance or part so given shall be withdrawn to the extent necessary to give effect to this paragraph.
- (8) For purposes of this paragraph, a company is to be treated as another's " associated company " at a given time if at that time, or at any time within one year before or two years afterwards, one of the two has control of the other or both are under the control of the same person or persons (" control" having for this purpose the same meaning as in Schedule 18 to this Act).

SCHEDULE 22

Section 97.

REPEALS.

PART I

CUSTOMS AND EXCISE REPEALS.

Chapter	Short Title	Extent of repeal
6 & 7 Eliz. 2. c. 6.	The Import Duties Act 1958.	In section 7, in subsection (1) (b) the word "special", and in subsection (3), the words from the beginning to "control; and". In Schedule 5, paragraph 2(b).
8 & 9 Eliz. 2. c. 44.	The Finance Act 1960	Section 10(2).
10 & 11 Eliz. 2. c. 13.	The Vehicles (Excise) Act 1962.	In Schedule 1, in Part I, paragraph 1(b) together with

The above repeal in Schedule 1 to the Vehicles (Excise) Act 1962 does not affect licences taken out before 7th April 1965; and the repeal in Schedule 4 to that Act of the definition of " local authority's watering vehicle " has effect as from 7th April 1965.

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Chapter	Short Title	Extent of repeal
1964 c. 49	The Finance Act 1964	the word " but" at the end of paragraph 1(a). In Schedule 4, in Part I, in paragraph 2(d) the words " of which the unladen weight exceeds twelve hundredweight and ", paragraph 4(2) and in paragraph 7(1) the definitions of " local authority's watering vehicle " and of " showman's trailer ". Section 8(1).

The above repeal in Schedule 1 to the Vehicles (Excise) Act 1962 does not affect licences taken out before 7th April 1965; and the repeal in Schedule 4 to that Act of the definition of " local authority's watering vehicle " has effect as from 7th April 1965.

PART II

INCOME TAX REPEALS.

Chapter	Short Title	Extent of Repeal
15 & 16 Geo. 6 & 1 Eliz. 2. c. 10.	The Income Tax Act 1952	Section 220(5)(c) together with the word " and " at the end of paragraph (b). In section 377, subsection (2), in subsection (3) the words " contribution " and " employer's contribution" and subsection (4). In section 415(1), paragraphs (a), (b) and (c) and the proviso.
5 & 6 Eliz. 2. c. 49.	The Finance Act 1957	In section 14, subsection (1) (d) and subsection (2)(b)(ia).
8 & 9 Eliz. 2. c. 44.	The Finance Act 1960	Section 19. Schedule 3.

- The above repeals shall have effect as respects tax for the year 1965-66 and subsequent years of assessment.
- The above repeals in section 415(1) of the Income Tax Act 1952 shall not affect settlements made before 7th April 1965.
- The above repeals in section 41 of the Finance Act 1963 shall not affect initial allowances in respect of expenditure incurred before 7th April 1965 or such expenditure as is mentioned in subsection (2) of section 13 of this Act, nor other allowances, or charges, in respect of vehicles the expenditure on the provision of which was incurred before that date or is such expenditure as is mentioned in that subsection.

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Chapter	Short Title	Extent of Repeal
1963 c. 25.	The Finance Act 1963	In section 12, subsections (1) and (4), in subsection (6) the words from " and in the said subsection (2)" to the end, and subsection (8). In section 41, in subsection (1) the words " initial and", subsection (2), in subsection (4)(a) the words from " increased " to the end and in subsection (4)(b) the words from " unless" to the end, and in subsection (7) the words " initial and ". Schedule 3.
1964 c. 49.	The Finance Act 1964	Section 14.
<ol style="list-style-type: none"> 1. The above repeals shall have effect as respects tax for the year 1965-66 and subsequent years of assessment. 2. The above repeals in section 415(1) of the Income Tax Act 1952 shall not affect settlements made before 7th April 1965. 3. The above repeals in section 41 of the Finance Act 1963 shall not affect initial allowances in respect of expenditure incurred before 7th April 1965 or such expenditure as is mentioned in subsection (2) of section 13 of this Act, nor other allowances, or charges, in respect of vehicles the expenditure on the provision of which was incurred before that date or is such expenditure as is mentioned in that subsection. 		

PART III

CASE VII OF SCHEDULE D.

Session and Chapter	Short Title	Extent of Repeal
10 & 11 Eliz. 2. c. 44.	The Finance Act 1962	In section 10(1) proviso, the words " except in so far as provision to the contrary is made by section 14 of this Act", and in section 10(2), the words " Except for the purposes of section 14 of this Act". In section 11(1), the words from " with the exception" to the end of the subsection, section 11(2)(4X5) and in section 11(7), the words " (4)
<p>The above repeals do not have effect in relation to an acquisition and disposal if the acquisition or disposal, whichever is the earlier, occurred before the beginning of the year 1965-66, and the repeal of section 14 of the Finance Act 1962, and of the references in that Act to that section, does not have effect where the relevant land of the land-owning company mentioned in that section was acquired by that company before 6th April 1965.</p>		

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Session and Chapter	Short Title	Extent of Repeal
		<p>or (5) " and the words " or (4) " ".</p> <p>In section 12(8) the words " except as provided by section 14 of this Act".</p> <p>Section 14.</p> <p>In section 15(1), the words from " or to any such " to " 1952 " and section 15(4)(5) (7).</p> <p>In Schedule 9— paragraph 3(4), and in paragraph 3(5) the words " or Association " (twice), in paragraph 5(4) the words from " nor shall " to the end of the sub-paragraph, paragraph 6(2), in paragraph 6(3), the words "or a company disposes of an asset to a person having control of the company ", paragraph 12(3)(4), in paragraph 14(3), the words " the foregoing provision shall not affect any charge under section 14 of this Act and ", paragraph 17(4).</p>
<p>The above repeals do not have effect in relation to an acquisition and disposal if the acquisition or disposal, whichever is the earlier, occurred before the beginning of the year 1965-66, and the repeal of section 14 of the Finance Act 1962, and of the references in that Act to that section, does not have effect where the relevant land of the land-owning company mentioned in that section was acquired by that company before 6th April 1965.</p>		

PART IV

REPEALS RELATED TO CORPORATION TAX ETC.

Session and Chapter	Short Title	Extent of Repeal
3 & 4 Geo. 6. c. 29.	The Finance Act 1940	Section 49, except as provided by section 88(1) of this Act.

The above repeals shall not affect the operation of any enactment in relation to the year 1965-66 or earlier years of assessment.

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Session and Chapter	Short Title	Extent of Repeal
7 & 8 Geo. 6. c. 23.	The Finance Act 1944	Sections 37 and 39, except as provided by section 88(1) of this Act.
15 & 16 Geo. 6. & 1 Eliz. 2. c. 10.	The Income Tax Act 1952.	Section 153(3) and (4). Section 171. Sections 184 to 186. Section 199(1)(d); together with " and" at the end of paragraph (c). Section 201. Section 245. In section 246 subsection (1) and the proviso to subsection (2). Section 247 (except as applied by section 28(8) of the Finance Act 1960). Section 248(1). Section 249(2)(c). In section 250 subsection (1) and in subsection (3) the words " under this section ". Sections 251 to 257. In section 258, in subsection (1) the words "in the case of an investment company", subsection (2), and subsection (3) from the beginning to the words " Provided that". In section 259(1), in subsection (1) the words from the beginning to " investment company " and the words " under section 248 of this Act ", and subsection (2). Section 260(5). Sections 261, 262 and 263. In section 264 the word " investment " in both places. Section 277(1).

The above repeals shall not affect the operation of any enactment in relation to the year 1965-66 or earlier years of assessment.

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

Session and Chapter	Short Title	Extent of Repeal
15 & 16 Geo. 6. & 1 Eliz. 2. c. 33.	The Finance Act 1952	<p>Section 316(3).</p> <p>Section 322(4).</p> <p>In section 333(1) the words " Part I of the Eleventh Schedule to this Act and to ".</p> <p>Section 350.</p> <p>In section 351(1) the words " and for carrying out the provisions of the last preceding section", and paragraph (b), together with the "and" at the end of paragraph (a).</p> <p>Section 425, except subsection (6).</p> <p>Section 426(3).</p> <p>Section 428.</p> <p>Section 438.</p> <p>Section 443.</p> <p>Sections 454 and 455.</p> <p>In section 468(1) the words from " (being classes " to " profits tax)".</p> <p>In section 484, in subsection (1) the words from " of the person " to " assets and " and the word " respectively", and in subsection (2) the words " of any such owner or ".</p> <p>Sections 493 and 494.</p> <p>Section 508(2).</p> <p>Schedule 11.</p> <p>In Schedule 16, in paragraph 5(2) the words " otherwise than under section 184 of this Act ", and paragraph 11.</p> <p>Schedule 22, Part II.</p> <p>Section 22(5).</p> <p>Section 25(2).</p>

The above repeals shall not affect the operation of any enactment in relation to the year 1965-66 or earlier years of assessment.

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

Session and Chapter	Short Title	Extent of Repeal
1 & 2 Eliz. 2. c. 34.	The Finance Act 1953	Section 27(3). Section 68. Section 17(3). In section 20, in subsection (2), the words " by deduction or otherwise ", and subsections (5), (7) and (11).
2 & 3 Eliz. 2. c. 44.	The Finance Act 1954	In section 17, subsections (1), (2), (3), (8) and (9), except as respects any relevant change occurring before the year 1966-67. Section 19. In section 30(3) the words from " and in their estimation " onwards. Schedule 3, except as respects any relevant change occurring before the year 1966-67.
4 & 5 Eliz. 2. c. 17.	The Finance (No. 2) Act 1955.	Section 4. Schedule 3.
4 & 5 Eliz. 2. c. 54.	The Finance Act 1956	In section 17(4), the words from " and " onwards. Section 18. In section 24, in subsection (2) the words from the beginning to " management; and ", and subsection (5) from " and " onwards.
5 & 6 Eliz. 2. c. 49.	The Finance Act 1957	Section 25. Sections 23 to 37. Schedule 4 except paragraph 4. Schedules 5 to 8.
6 & 7 Eliz. 2. c. 56.	The Finance Act 1958	Sections 18 and 19. In Schedule 6 paragraph 2(e).
6 & 7 Eliz. 2. c. 58.	The Finance Act 1959	In section 23(5), the words from " or at the time " to "

The above repeals shall not affect the operation of any enactment in relation to the year 1965-66 or earlier years of assessment.

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

Session and Chapter	Short Title	Extent of Repeal
8 & 9 Eliz. 2. c. 44.	The Finance Act 1960	<p>reconstructions) " and the words " and which is not such a relevant change as aforesaid ".</p> <p>Section 24(4) and (5)(b).</p> <p>In section 26, in subsection (1), the words " or paragraph 3 of the Third Schedule to the Finance Act 1954", and subsections (2) to (4).</p> <p>In section 20, in the proviso to subsection (1), the words from " a local authority " to " or by ", and subsection (2).</p> <p>In section 25(4) proviso, paragraph (a) from " and " onwards.</p> <p>In section 72, in subsection (4), paragraph (a) and in paragraph (b) the words from the beginning of sub-paragraph (i) to the words " Schedule D " in sub-paragraph (ii), subsection (8) from " (except " onwards, subsection (9) and in subsection (11) the definition of " management expenses claim ".</p>
9 & 10 Eliz. 2. c. 36.	The Finance Act 1961	Section 29.
10 & 11 Eliz. 2. c. 44.	The Finance Act 1962	Section 19.
		Section 20.
1963 c. 25.	The Finance Act 1963	Section 45.
		<p>In Schedule 12, paragraph 14, paragraph 18(3) and paragraph 18(5) from the beginning to " thereof ".</p>
1964 c. 37.	The Income Tax Management Act 1964	<p>In Schedule 2 the entries relating to sections 201, 249(2)(c), 262(5), 425, 438, 443 and 455 of the Income Tax Act 1952 and to the Finance Act 1957.</p>

The above repeals shall not affect the operation of any enactment in relation to the year 1965-66 or earlier years of assessment.

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

Session and Chapter	Short Title	Extent of Repeal
1964 c. 49.	The Finance Act 1964	In Schedule 4, in Part I of the Table, the entries relating to the Finance (No. 2) Act 1955 and the Finance Act 1957. Section 15. Section 16(1)(b).

The above repeals shall not affect the operation of any enactment in relation to the year 1965-66 or earlier years of assessment.

PART V

PROFITS.

TAX REPEALS.

Chapter	Short Title	Extent of Repeal
1 Edw. 8. & 1 Geo. 6. c. 54.	The Finance Act 1937	Part III so far as unrepealed. Schedules 4 and 5.
1 & 2 Geo. 6. c. 46.	The Finance Act 1938	In section 42, subsections (4) to (6). Section 43. Schedule 4 Part II.
2 & 3 Geo. 6. c. 41.	The Finance Act 1939	Section 36.
3 & 4 Geo. 6. c. 29.	The Finance Act 1940	Section 40(2).
3 & 4 Geo. 6. c. 48.	The Finance (No. 2) Act 1940.	In section 14(1), the words "or paragraph 4 of the Fourth Schedule to the Finance Act 1937 ", the words "or the national defence contribution" and the words " and subsection (1) of section 20 of the Finance Act 1937 ". Section 15(b), together with " and" at the end of paragraph (a).
4 & 5 Geo. 6. c. 30.	The Finance Act 1941	Section 43.
5 & 6 Geo. 6. c. 21.	The Finance Act 1942	Section 36.

The above repeals shall have effect only in relation to the profits tax, and shall not affect the liability to profits tax for chargeable accounting periods ending on or before 5th April 1966, or the assessment, collection or recovery of that tax or other proceedings relating thereto.

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

Chapter	Short Title	Extent of Repeal
9 & 10 Geo. 6. c. 13.	The Finance (No. 2) Act 1945.	In section 38, the words "nor the national defence contribution". Schedule 9. In section 35(2), the words "or to the national defence contribution". In section 36, the words "or the national defence contribution". Section 37. In Schedule 5 the words "or to the national defence contribution".
9 & 10 Geo. 6. c. 64.	The Finance Act 1946	Section 44.
10 & 11 Geo. 6. c. 35.	The Finance Act 1947	Part IV so far as unrepealed. Schedule 8.
11 & 12 Geo. 6. c. 49.	The Finance Act 1948	Section 79.
14 & 15 Geo. 6. c. 43.	The Finance Act 1951	Part III so far as unrepealed.
15 & 16 Geo. 6. & 1 Eliz. 2. c. 10.	The Income Tax Act 1952.	Section 348(7). Section 434(3). Section 435(4). In section 469(1) and (2), the words "and profits tax". Section 473(2)(c) with the " and " at the end of paragraph (b). In Schedule 16, in paragraph 1(1), the definition of "income", paragraph 2(2) and paragraph 14. In Schedule 20, paragraph 2(4), from " and for " onwards and paragraph 10(4). In Schedule 21, paragraph 10.
15 & 16 Geo. 6. & 1 Eliz. 2. c. 33.	The Finance Act 1952	Part IV, so far as unrepealed. Section 67(2).
1 & 2 Eliz. 2. c. 34.	The Finance Act 1953	Section 25(4).

The above repeals shall have effect only in relation to the profits tax, and shall not affect the liability to profits tax for chargeable accounting periods ending on or before 5th April 1966, or the assessment, collection or recovery of that tax or other proceedings relating thereto.

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

Chapter	Short Title	Extent of Repeal
2 & 3 Eliz. 2. c. 44.	The Finance Act 1954	Section 16(12).
4 & 5 Eliz. 2. c. 17.	The Finance (No. 2) Act 1955.	In Schedule 2, paragraph 3.
4 & 5 Eliz. 2. c. 54.	The Finance Act 1956	Part IV, so far as unrepealed. In Schedule 4, paragraph 1.
6 & 7 Eliz. 2. c. 56.	The Finance Act 1958	Part IV. Schedule 7.
7 & 8 Eliz. 2. c. 58.	The Finance Act 1959	Section 33. In Schedule 5, paragraph 2.
8 & 9 Eliz. 2. c. 44.	The Finance Act 1960	Section 70.
10 & 11 Eliz. 2. c. 44.	The Finance Act 1962	Section 10(7). Section 23(7). Section 24(11) from the words " where this section applies " onwards. In Schedule 9, paragraph 17(3) (a)(i).
1963 c. 25.	The Finance Act 1963	Section 69.
1964 c. 37.	The Income Tax Management Act 1964.	In section 3, in subsection (2) the words " and the enactments relating to the profits tax ", and in subsection (3) the words " or the profits tax ". Section 10. In section 11, in subsections (1), (2), (3) and (4) the words " or the enactments relating to the profits tax ". In section 12, in subsection (1), (2), and (twice) subsection (4) the words " or the enactments relating to the profits tax ". In section 13(1) the words " or paragraph 5 of Part II of Schedule 5 to the Finance Act 1937 " and the words " or the said

The above repeals shall have effect only in relation to the profits tax, and shall not affect the liability to profits tax for chargeable accounting periods ending on or before 5th April 1966, or the assessment, collection or recovery of that tax or other proceedings relating thereto.

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

Chapter	Short Title	Extent of Repeal
1964 c. 49.	The Finance Act 1964	<p>paragraph 5 " (twice), and in subsection (5) the words " or the said paragraph 5 ".</p> <p>In section 14, in subsection (1) the words " and the enactments relating to the profits tax ", in subsection (2) the words " or the profits tax " and the words " and the enactments relating to the profits tax", in subsection (3) the words " or the enactments relating to the profits tax ".</p> <p>In section 15, in subsection (1)(a) the words " or the enactments relating to the profits tax " and in subsection (2) the words " paragraph 5 of Part II of Schedule 5 to the Finance Act 1937 ".</p> <p>In section 17(2) the words from " and, so far " to the end of the subsection.</p> <p>In Schedule 3, paragraph 7.</p> <p>In section 17, subsections (2) and (6).</p>

The above repeals shall have effect only in relation to the profits tax, and shall not affect the liability to profits tax for chargeable accounting periods ending on or before 5th April 1966, or the assessment, collection or recovery of that tax or other proceedings relating thereto.

PART VI

OTHER REPEALS.

Chapter	Short Title	Extent of Repeal
1964 c. 9.	The Public Works Loans Act 1964.	Section 7(1).