



Finance Act 1966

1966 CHAPTER 18

PART IV

INCOME TAX AND CORPORATION TAX

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

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and, if any such grant is made after the making of any such allowance, that allowance shall to that extent be withdrawn.

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

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- (a) a grant made under an Act of the present Session or in pursuance of a scheme under an enactment amended by an Act of the present Session; or
- (b) a grant made under an enactment of the Parliament of Northern Ireland or out of moneys provided by that Parliament which appears to the Treasury to be made towards expenditure and for a purpose corresponding respectively to expenditure towards which and a purpose for which a grant such as is mentioned in paragraph (a) of this definition may be made,

and in either case being a grant declared by the Treasury by order made by statutory instrument to be relevant for the purposes of the withholding or withdrawal of investment and initial allowances.

- (4) Where the amount of any relevant grant within the meaning of subsection (3) of this section towards any expenditure is repaid in whole or in part by the grantee to the grantor, then to the extent to which it has been so repaid it shall be deemed never to have been made.
- (5) All such assessments or adjustments of assessments to income tax, corporation tax or profits tax shall be made as may be necessary in consequence of the provisions of subsection (3) or (4) of this section and, notwithstanding anything in any other provision, the time within which such an assessment or adjustment may be made shall not expire before the expiration of three years from the end of the chargeable period in which the grant referred to in the said subsection (3) or, as the case may be, the repayment referred to in the said subsection (4) was made.
- (6) This section shall be construed as if it were contained in Part X of the Income Tax Act 1952.

36 Termination of free depreciation in development districts.

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

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

37 Vehicles which are to be eligible for initial allowances.

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

38 Statutory redundancy payments.

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

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

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

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

39 Cancellation of tax advantages from certain transactions in securities.

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

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

(6) In this section—

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

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

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

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