



Finance Act 1939

1939 CHAPTER 41

An Act to grant certain duties of Customs and Inland Revenue (including Excise), to alter other duties, and to amend the law relating to Customs and Inland Revenue (including Excise) and the National Debt, and to make further provision in connection with finance. [28th July 1939.]

Most Gracious Sovereign,

WE, Your Majesty's most dutiful and loyal subjects the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and grant unto Your Majesty the several duties hereinafter mentioned ; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows—

PART I

CUSTOMS AND EXCISE.

1 Increased duties and drawbacks on tobacco.

- (1) As from the commencement of this section, in lieu of the customs duties theretofore payable on tobacco there shall, subject to the provisions of section eight of the Finance Act, 1919, be charged on tobacco imported into the United Kingdom the duties specified in Part I of the First Schedule to this Act.
- (2) As from the commencement of this section, there shall, in lieu of the excise duties theretofore payable on tobacco, be charged on tobacco grown in the United Kingdom the duties specified in Part II of the First Schedule to this Act.

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- (3) The drawback allowed under section one of the Manufactured Tobacco Act, 1863, on tobacco exported from the United Kingdom or deposited in a bonded or King's warehouse shall, in cases where it is shown that the duties charged by this section have been paid, be allowed at the rates set out in Part III of the First Schedule to this Act instead of at the rates set out in Part III of the First Schedule to the Finance (No. 2) Act, 1931, but subject to the provisions affecting allowance of drawback contained in the Schedule to the Finance Act, 1904.
- (4) This section shall be deemed to have had effect as from the twenty-sixth day of April, nineteen hundred and thirty-nine.

2 Increased duties and drawbacks on sugar, molasses, glucose and saccharin.

- (1) As from the commencement of this section, the duties of customs and excise on sugar, molasses, glucose and saccharin shall be charged in accordance with the following provisions—
 - (a) Part I of the Second Schedule to this Act shall be substituted for Part I of the Second Schedule to the Finance Act, 1928 (which specifies the full rates of customs duty and the amounts of the general preferential reductions on sugar, molasses, glucose and saccharin);
 - (b) Part II of the Second Schedule to this Act shall be substituted for Part I of the First Schedule to the Finance Act, 1934 (which specifies the rates of customs duty on certificated colonial sugar), and any certificates issued under section one of that Act (whether before or after the commencement of this section) shall have effect accordingly;
 - (c) Part III of the Second Schedule to this Act shall be substituted for the Second Schedule to the Finance Act, 1932 (which specifies the rates of excise duty on sugar, molasses, glucose and saccharin).
- (2) As from the commencement of this section, where a duty of customs or excise has been paid in respect of sugar, molasses, glucose or saccharin at the higher rates for which provision is made by the preceding provisions of this section, drawbacks shall be paid and allowances shall be made as if the Tables set out in Part IV of the Second Schedule to this Act were substituted for Table 1 and Table 2 in Part II of the Second Schedule to the Finance Act, 1928, and the scales of drawback set out in Part II of the First Schedule to the Finance Act, 1934, shall not apply.
- (3) This section shall be deemed to have had effect as from five o'clock in the evening on the twenty-fifth day of April, nineteen hundred and thirty-nine.

3 Duties on cinematograph film.

- (1) Subject to the provisions of this section, the rate of additional duty chargeable under section three of the Import Duties Act, 1932, on goods of any class or description specified in the first column of the Table in paragraph 1 of the Third Schedule to this Act shall, as from the twenty-sixth day of April, nineteen hundred and thirty-nine, be such as will, with the rate of the general ad valorem duty, amount to the rate specified in the second column of that Table in relation to goods of that class or description, and accordingly the Treasury orders mentioned in the said Schedule shall, as from that date, be amended in the manner there specified.
- (2) The provisions of the Third Schedule to this Act shall have effect in relation to the duties mentioned in the preceding provisions of this section.

4 Amendment of s. 7 of Finance Act, 1935.

Section seven of the Finance Act, 1935 (which provides for the exemption from customs duty of cinematograph films entitled to such exemption under the Convention for facilitating the international circulation of films of an educational character signed on behalf of His Majesty at Geneva on the eleventh day of October, nineteen hundred and thirty-three) shall have effect as if the functions conferred by that Convention on the International Educational Cinematographic Institute had been conferred on the Committee of the League of Nations known as the International Committee on Intellectual Co-operation.

5 Beer (priming and colouring solutions).

- (1) Regulations made under section five of the Finance Act, 1935 (which relates to priming and colouring solutions) may, notwithstanding anything in any enactment, but subject to the provisions of this section and to such conditions as may be prescribed in the regulations, authorise a brewer for sale to add any such solutions to beer at premises other than premises entered by him for the brewing of beer or a bonded warehouse.
- (2) No premises, other than premises so entered or a bonded warehouse, shall be used for the addition of such solutions as aforesaid in any licence year or part thereof, unless they are licensed for the purpose for that year or that part thereof in accordance with the regulations, and on the grant of any such licence in respect of any premises for any such year or part thereof, there shall be chargeable an excise duty in accordance with the Fourth Schedule to this Act.
- (3) In this section and the said Schedule, the expression " licence year" means the twelve months-ending on the thirtieth day of September.

6 Reduction of entertainments duty on stage plays, and c.

- (1) As respects payments for admission to entertainments held on or after the third day of September, nineteen hundred and thirty-nine, entertainments duty within the meaning of the Finance (New Duties) Act, 1916, shall be charged as if for the First Schedule to the Finance Act, 1935 (which specifies reduced rates for stage plays, &c), there were substituted the Fifth Schedule to this Act.
- (2) Where duty has been charged on any payment for admission to an entertainment held on or after the said third day of September at the rate applicable to payments for admission to entertainments held before the said day, the person by whom the duty was paid shall be entitled to repayment of the difference, if any, between the amount of duty actually paid and the amount of duty chargeable on the payment by virtue of the provisions of this section.

7 Provisions consequential on trade agreement with U.S.A.

- (1) So long as the trade agreement between the United Kingdom and the United States of America signed in Washington on the seventeenth day of November, nineteen hundred and thirty-eight, is in operation, the Ottawa Agreements Act, 1932, shall have effect as if, in the table of duties in Part I of the Second Schedule thereto, there were inserted, after the entry relating to apples preserved in syrup, the entries contained in the Sixth Schedule to this Act.

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- (2) So long as the said trade agreement is in operation, subsection (1) of section six of the Finance Act, 1934, (which imposes a fifteen per cent. ad valorem customs duty on patent leather) shall have effect as if—
 - (a) for the words " fifteen per cent." where they first occur, there were substituted the words " seven and a half per cent. " ; and
 - (b) in the proviso (which excepts from the operation of the section goods which would apart from the operation thereof be chargeable with an additional duty which with the general ad valorem duty exceeds fifteen per cent. of the value of the goods) the words " if the aggregate amount of " the additional duty and the general ad " valorem duty exceeds fifteen per cent. of " the value of the goods " were omitted.
- (3) So much of the Ottawa Agreements Order, 1938, as relates to goods of the classes or descriptions specified in the Sixth Schedule to this Act shall cease to have effect.
- (4) This section shall be deemed to have had effect as from the twenty-sixth day of April, nineteen hundred and thirty-nine.

8 Provisions for fulfilling agreement with India.

- (1) The following provisions of this section shall have effect with a view to the fulfilment of the agreement made on the twentieth day of March, nineteen hundred and thirty-nine, between His Majesty's Government in the United Kingdom and the Government of India, being the agreement set out in the Seventh Schedule to this Act.
- (2) As from such date as the Treasury may by order declare to be the date on which it has been mutually agreed under Article 16 of the said Agreement that that Agreement should come into force, the Ottawa Agreements Act, 1932, and any other enactment relating to customs which amends or relates to that Act shall have effect as if the said Agreement were substituted for the Agreement set out in Part VI of the First Schedule to that Act.
- (3) As from the said date or the fifteenth day of August, nineteen hundred and thirty-nine, whichever is the later—
 - (a) no drawback of duty shall be allowed under any scheme made before the said date under section nine of the Finance Act, 1932, in the case of goods manufactured in the United Kingdom and exported or shipped as stores therefrom, in respect of linseed used in the manufacture of the goods, unless the goods consist of linseed oil, unmixed;
 - (b) no drawback shall be allowed under any such scheme in the case of ground-nut oil (whether hydrogenated or not) manufactured in the United Kingdom and exported or shipped as stores therefrom, in respect of ground-nuts used in the manufacture of the oil.
- (4) The Treasury may by order make such amendments in any such scheme as aforesaid as are necessary to give effect to the provisions of this section, or, if it is necessary for that purpose, may revoke any such scheme.
- (5) In this section the expression " linseed oil" includes linseed oil refined or heat-treated, or both refined and heat-treated, and the expression " unmixed," in relation to linseed oil, means not mixed with any substance other than driers.

9 Increased excise duties on mechanically propelled vehicles.

As from the first day of January, nineteen hundred and forty, section thirteen of the Finance Act, 1920 (which imposes duties of excise in respect of mechanically propelled vehicles) shall have effect as if the paragraphs set out in Parts I and II of the Eighth Schedule to this Act were respectively substituted for paragraphs 1 and 6 of the Second Schedule to that Act.

10 Reduction of duty on certain mechanically propelled vehicles used for agricultural purposes.

(1) In paragraph 4 of the Second Schedule to the Finance Act, 1920 (which, as amended by the Seventh Schedule to the Finance Act, 1933, prescribes the rate of duty payable under section thirteen of the Finance Act, 1920, in respect of the mechanically propelled vehicles therein mentioned), for sub-paragraph (a) there shall be substituted the following sub-paragraph—

(a) Locomotive ploughing engines, tractors, agricultural tractors and other agricultural engines, which are not used on roads for hauling any objects except as follows, that is to say—

(i) for hauling their own necessary gear, threshing appliances, farming implements, a living van for the accommodation of persons employed in connection with the vehicle, or supplies of water or fuel required for the purposes of the vehicle or for agricultural purposes;

(ii) for hauling from one part of a farm in the occupation of the person in whose name the vehicle is registered under the Roads Act, 1920, to another part of that farm, agricultural produce of, or articles required for the farm 5s. 0d.

(2) In subsection (7) of section two of the Finance Act, 1935 (which excepts from the provisions of that section withdrawing the rebate on heavy oils used as fuel for mechanically propelled vehicles the vehicles specified in sub-paragraphs (a), (b), or (c) of the said paragraph 4), the reference to the said sub-paragraph (a) shall be construed as a reference to the sub-paragraph substituted therefor by this section.

PART II

INCOME TAX.

11 Income tax for 1939-40.

(1) Income tax for the year 1939-40 shall be charged at the standard rate of five shillings and sixpence in the pound, and, in the case of an individual whose total income exceeds two thousand pounds, at such higher rates in respect of the excess over two thousand pounds as Parliament may hereafter determine.

(2) All such enactments as had effect with respect to the income tax charged for the year 1938-39 shall have effect with respect to the income tax charged for the year 1939-40.

12 Higher rates of income tax for 1938-39.

Income tax for the year 1938-39 in respect of the excess of the total income of an individual over two thousand pounds shall be charged at rates in the pound which

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respectively exceed the standard rate by the amounts specified in the second column of the Table in section six of the Finance Act, 1931 (as originally enacted) increased—

- (a) in the case of an amount relating to any part of the first six thousand pounds of the excess, by fifteen per cent. of that amount;
- (b) in the case of any of the remaining amounts, by twenty per cent. of that amount.

13 Amendments, in relation to inter-connected companies, of enactments referring to apportionments of income.

- (1) For paragraph (c) of subsection (1) of section nineteen of the Finance Act, 1936 (which relates to the circumstances in which a company shall be deemed to be under the control of not more than five persons for the purposes of section twenty-one of the Finance Act, 1922) there shall be substituted the following paragraph—

“(c) if,—

- (i) on the assumption that the company is a company to which the said section twenty-one applies; or
- (ii) on the assumption that the company and any other company or companies are companies to which the said section twenty-one applies,

more than half of the income of the company (including any income which has been apportioned to it, or could on either of those assumptions be apportioned to it, for the purposes of the said section twenty-one) could be apportioned for those purposes among not more than five persons.”

- (2) Subsection (3) of section fourteen of the Finance Act, 1937 (which enables apportionments under paragraph 8 of the First Schedule to the Finance Act, 1922, to be made in the case of investment companies by reference to rights on winding up) shall apply to sub-apportionments of income apportioned to investment companies as well as to original apportionments under the said paragraph 8 and shall so apply to sub-apportionments notwithstanding that no direction has been given under subsection (1) of section twenty-one of the Finance Act, 1922.
- (3) Subject to the last preceding subsection and to any other express provision of this Act, any reference in any enactment to apportioning income under or for the purposes of the provisions, or any specified provisions, of the said section twenty-one or of the said First Schedule shall be construed as a reference not only to apportioning by means of an original apportionment but also to apportioning by means of an original apportionment together with one or more sub-apportionments or series of sub-apportionments, and in ascertaining under paragraph (c) of subsection (1) of section nineteen of the Finance Act, 1936, whether or not income could be apportioned among not more than five persons, account shall, in cases where an original apportionment and any sub-apportionment are involved, be taken only of persons to whom income could be finally apportioned as the result of the whole process of original apportionment and sub-apportionment.
- (4) In this section the expression " sub-apportionment " means such an apportionment of income as is provided for by section thirty-two of the Finance Act, 1927 (which applies the said section twenty-one to interconnected companies) and the expression " original apportionment " has the same meaning as in the said section thirty-two.

- (5) The provisions of this section shall have effect for the purposes of assessments for the year 1936-37 and subsequent years, and shall so have effect in the case of all persons notwithstanding that the liabilities of those persons to tax have been finally determined in whole or in part before the passing of this Act, and notwithstanding that all or any of the relevant powers of the Special Commissioners have, by virtue of something done or omitted to be done before the passing of this Act, ceased to be exercisable; and for the purpose of ensuring that all assessments are made in accordance with the said provisions, the Special Commissioners shall have power to give such directions, make and amend such apportionments, issue such notices, and make and amend such assessments and make such additional assessments, as they think proper, notwithstanding any such determination or cessation as aforesaid.

14 Apportionment of income under s. 21 of Finance Act, 1922, to be automatic in the case of certain investment companies.

- (1) Subject to the provisions of this section with respect to companies with estate or trading income, the whole of the actual income from all sources, for every year of assessment, of every investment company to which section twenty-one of the Finance Act, 1922, applies shall, however much or however little thereof has been distributed to its members, be deemed for the purposes of assessment to surtax to be the income of the members of the company, and accordingly the Special Commissioners shall give a direction under subsection (1) of the said section twenty-one in respect of each year of assessment in relation to every such company without considering whether or not the company has distributed a reasonable part of its said income.
- (2) The said section twenty-one and any provisions' of this or any other Act relating thereto shall apply, with the necessary modifications, in cases in which directions are given by virtue of subsection (1) of this section as they apply in cases in which directions are given by virtue of section fourteen of the Finance Act, 1937, with respect to a year of assessment:

Provided that—

- (a) no deduction shall be allowed in computing the actual income from all sources of the company which would not be allowable in computing the total income of an individual for the purposes of the Income Tax Acts, other than deductions for any national defence contribution payable by the company or for any such sums disbursed by the company as expenses of management as the Special Commissioners consider reasonable, having regard to the requirements of the company's business and, in the case of directors' fees or other payments for services, to the actual services rendered to the company;
- (b) paragraph 5 of the First Schedule to the Finance Act, 1922, and section eighteen of the Finance Act, 1928 (which restrict the powers of the Special Commissioners where statutory declarations or accounts are furnished to the Commissioners) shall not apply in cases in which directions may be given by virtue of subsection (1) of this section.
- (3) The preceding provisions of this section shall not apply to an investment company the whole of the actual income whereof from all sources is estate or trading income.
- (4) Where part only of the actual income from all sources of an investment company to which section twenty-one of the Finance Act, 1922, applies is estate or trading income, the provisions of the said section twenty-one and any provisions of this or any other Act relating thereto shall have effect as follows :—

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- (a) in the first place, they shall have effect as if such part of the actual income from all sources of the company as is not estate or trading income were the whole of the income of the company/ and directions shall be given by virtue of subsection (1) of this section accordingly as respects that part;
- (b) in the second place and separately (but without prejudice to the treatment of the company as an investment company for the purposes of the said provisions), they shall have effect as if such part of the actual income from all sources of the company as consists of estate or trading income were the whole of the income of the company, and, if the circumstances warrant that course, directions may be given accordingly as respects that part otherwise than by virtue of the said subsection (1):

Provided that—

- (i) any income distributed by such a company to its members in such manner that the amount distributed falls to be included in the statements to be made by the members of their total income for the purposes of surtax shall, to the extent of the actual income from all sources of the company other than estate or trading income, be deemed for all purposes to have been distributed out of that other income and not out of the estate or trading income, and be left out of account accordingly in considering whether a reasonable part of the estate or trading income has been so distributed;
 - (ii) subject as aforesaid, any outgoings of the company of such a nature as to be capable of being taken into account in computing the amount of the actual estate or trading income of the company, in considering whether the company has so distributed a reasonable part of its estate or trading income, or in computing the amount of the actual income from all sources of the company other than estate or trading income, shall be treated as attributable to the estate or trading income or to the income other than estate or trading income, as the case may be, only to the extent that the Special Commissioners consider appropriate.
- (5) If in the case of any company the cost of maintenance, repairs, insurance and management (being expenditure of such a nature as to be capable of being taken into account for the purposes of a claim by the company under Rule 8 of No. V of Schedule A) incurred by it in any year of assessment exceeds the amount of the gross estate or trading income of the company for that year, the company shall be entitled, on giving notice in writing to the Special Commissioners within six months of the end of that year and on proof to the satisfaction of those Commissioners of the amount of the excess, to require that the amount of the actual income from all sources of the company, other than estate or trading income, for that year shall be treated, for the purposes of this section, as if it were reduced by an amount equal to that excess :

Provided that, where a deduction is allowable in computing the estate or trading income of the company for any subsequent year by reference to the said Rule 8, no account shall be taken in computing the amount of that deduction of any such excess expenditure which has been taken into account for the purposes of any such reduction as aforesaid.

In this subsection the expression " maintenance " has the same meaning as in the said Rule 8, and the expression " the amount of the gross estate or trading income " means, in the case of any company, an amount computed by adding to the amount of the estate or trading income of the company the total amount of any deductions made in computing that income in respect of the cost to the company of maintenance, repairs,

insurance, or management of the nature aforesaid (including any allowance made by reference to Rule 7 of No. V of Schedule A).

- (6) The preceding provisions of this section shall not, in the case of any company, apply in relation to any period after an order has been made or a resolution passed for the winding-up thereof, and the period elapsing between the end of the last year of assessment and the making of the order or passing of the resolution shall, for the purposes of subsection (1) of this section, be treated as if it were a year of assessment.
- (7) The preceding provisions of this section shall not apply in the case of any company if the Special Commissioners are satisfied that the company exists wholly or mainly for the purpose of carrying on a trade or 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.
- (8) In this section the expression " estate or trading income " means income chargeable to income tax under Schedule A or Schedule B, income arising in respect of the ownership or occupation of land which is chargeable to income tax under Schedule D, and income which is not investment income within the meaning of section twenty of the Finance Act,

For the purposes of this subsection the expression " land " means lands, tenements, hereditaments and heritages, and the expression " income arising in respect of the ownership or occupation of land," in relation to any building or part of a building, includes profits from the letting thereof furnished.

- (9) The preceding provisions of this section shall apply for the purposes of assessment to surtax for the year 1938-39 and subsequent years, and where a direction has been given in relation to a company by virtue of subsection (1) of this section in respect of the whole or any part of the year 1938-39, the Special Commissioners may, for the purposes of assessment to surtax for the year 1937-38, treat the period—
 - (a) beginning with the end of the last year or other period ending before the fifth day of April, nineteen hundred and thirty-eight, for which accounts of the company have been made up; and
 - (b) ending with the said fifth day of April, nineteen hundred and thirty-eight;as if it were a period for which accounts of the company have been made up, or, if they think fit, as if it were a year of assessment for the purposes of subsection (2) of section fourteen of the Finance Act, 1937.

15 Extended powers as to apportionment of income of investment companies.

- (1) If in the case of any investment company the Special Commissioners are of opinion that any person who is not a member of the company for the purposes of section twenty-one of the Finance Act, 1922, and the enactments relating thereto is, or is likely to be, able to secure that income or assets, whether present or future, of the company will be applied either directly or indirectly for his benefit, they may, if they think fit, treat him as a member of the company for the said purposes.
- (2) In apportioning for the purposes of the said section twenty-one the income of an investment company—
 - (a) to any person who is treated as a member of the company by virtue of the preceding subsection; or
 - (b) to any person who is a member of the company but has no relevant interests in the company, and in their opinion is, or is likely to be, able to secure that

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income or assets, whether present or future, of the company will be applied either directly or indirectly for his benefit; or

- (c) to any person who is a member of the company and in their opinion is, or is likely to be, able to secure that income or assets, whether present or future, of the company will be applied either directly or indirectly for his benefit to a greater extent than is represented in the value for apportionment purposes of his relevant interests in the company, considered in relation to the value for those purposes of the relevant interests of other persons therein;

the Special Commissioners may apportion to him such part of the income of the company as appears to them to be appropriate and may adjust the apportionment of the remainder of the company's income as they may consider necessary.

- (3) For the purposes of this section, a person shall be deemed to be able to secure that income or assets will be applied for his benefit if he is in fact able so to do by any means whatsoever, whether he has any rights at law or in equity in that behalf or not, and the Special Commissioners may draw the inference that a person is likely to be able to secure that assets or income of a company will be applied for his benefit, or, as the case may be, will be so applied to a greater extent than is represented in the value for apportionment purposes of any relevant interests which he has in the company, if and only if they are satisfied—

- (a) that he has, directly or indirectly, transferred - assets to the company the value of which is not represented, or is not adequately represented, in the value for apportionment purposes of any relevant interests which he has in the company; and
- (b) that the persons who, whether as directors or shareholders or in any other capacity, have, or will at any material time have, powers or rights affecting the disposal or application of the income or assets of the company are likely to act in accordance with his wishes or that he is able to secure that persons who at the material times will have such powers or rights will be persons likely to act in accordance with his wishes.

- (4) Where the Special Commissioners have, under the provisions of this section, apportioned income of a company for any year or period, and the amount apportioned to any member is less than the amount of income distributed to that member by the company in respect of the said year or period in such manner that the amount distributed would, apart from this subsection, fall to be included in the statement of total income to be made by that member for the purposes of surtax, the excess of the amount so distributed over the amount apportioned to that member shall be deemed not to form part of the member's total income from all sources for tax purposes:

Provided that where notice of appeal is given against the apportionment, the reference in this subsection to the amount apportioned to the member shall be construed as a reference to the amount apportioned to him on the final determination of the appeal.

- (5) The provisions of paragraphs 1 to 3 of the First Schedule to the Finance Act, 1922 (which relate to appeals), shall apply in relation to an apportionment made by the Special Commissioners under the provisions of this section as they apply in relation to a direction given by those Commissioners under section twenty-one of the said Act, and so much of paragraph 10 of the First Schedule to the said Act as relates to appeals shall not apply.

- (6) For the purposes of this section—

- (a) references to a person shall, in the case of an individual, be deemed to include the wife or husband of the individual;

- (b) the expression " assets " includes property or rights of any kind, and the expression " transfer," in relation to rights, includes the creation of those rights;
 - (c) the expression " relevant interests " means, in relation to a person connected in any way with a company, interests by reference to which income of the company could be apportioned to him for the purposes of section twenty-one of the Finance Act, 1922, apart from the provisions of this section, and the expression " value for apportionment purposes " means, in relation to any relevant interests in any company, the value falling to be put thereon in apportioning income of the company for the purposes of the said section twenty-one;
 - (d) references to apportioning income shall be construed as including references both to apportioning by means of original apportionments within the meaning of section thirty-two of the Finance Act, 1927 (which applies the said section twenty-one to interconnected companies) and to apportioning by means of any such apportionment as is provided for by the said section thirty-two.
- (7) This section shall apply for the purpose of assessment to surtax for the year 1938-39 and subsequent years.

16 Additional powers of Special Commissioners to obtain information for purposes of s. 21 of Finance Act, 1922.

- (1) The Special Commissioners may by notice in writing require any investment company to which section twenty-one of the Finance Act, 1922, applies to furnish them within such time, not being less than twenty-eight days, as may be specified in the notice with such particulars as they think necessary for the purposes of the said section twenty-one, or of any provisions of this or any other Act relating thereto.
- (2) If any company to whom a notice is issued either under the foregoing subsection or under paragraph 4 of the First Schedule to the Finance Act, 1922, fails, without reasonable excuse, to comply with the notice within the time specified therein, it shall be liable to a penalty not exceeding fifty pounds, and, after judgment has been given for that penalty, to a further penalty of the like amount for every day during which the failure continues.

17 Explanation and amendment of paragraph 6 of Second Schedule to the Finance Act, 1936.

- (1) It is hereby declared that the particulars which a person must furnish to the Special Commissioners under paragraph 6 of the Second Schedule to the Finance Act, 1936 (which Schedule contains supplementary provisions as to the prevention of avoidance of income tax by transactions resulting in the transfer of income to persons abroad), if he is required by a notice from those Commissioners so to do, include particulars—
 - (a) as to transactions with respect to which he is or was acting on behalf of others;
 - (b) as to transactions which in the opinion of the Commissioners it is proper that they should investigate for the purposes of section eighteen of the Finance Act, 1936, notwithstanding that in the opinion of the person to whom the notice is given no liability to tax arises under the said section;
 - (c) as to whether the person to whom the notice is given has taken or is taking any, and, if so what, part in any, and if so what, transactions of a description specified in the notice.

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- (2) Notwithstanding anything in subsection (1) of this section, a solicitor shall not be deemed for the purposes of paragraph (c) thereof to have taken part in a transaction by reason only that he has given professional advice to a client in connection with that transaction, and shall not in relation to anything done by him on behalf of a client, be compellable under the said paragraph 6, except with the consent of his client, to do more than state that he is or was acting on behalf of a client, and give the name and address of his client and also—
- (a) in the case of anything done by the solicitor in connection with the transfer of any asset by or to an individual ordinarily resident in the United Kingdom to or by any such body corporate as is hereinafter mentioned, or in connection with any associated operation in relation to any such transfer, the names and addresses of the transferor and the transferee, or of the persons concerned in the associated operations, as the case may be;
 - (b) in the case of anything done by the solicitor in connection with the formation or management of any such body corporate as is hereinafter mentioned, the name and address of the body corporate;
 - (c) in the case of anything done by the solicitor in connection with the creation, or with the execution of the trusts, of any settlement by virtue or in consequence whereof income becomes payable to a person resident or domiciled out of the United Kingdom, the names and addresses of the settlor and of that person.

The bodies corporate mentioned in the preceding provisions of this subsection are bodies corporate resident or incorporated outside the United Kingdom which are, or, if they were incorporated in the United Kingdom, would be, investment companies to which section twenty-one of the Finance Act, 1922, applies.

- (3) Nothing in this section shall impose on any bank the obligation to furnish any particulars of any ordinary banking transactions between the bank and a customer carried out in the ordinary course of banking business, unless the bank has acted or is acting on behalf of the customer in connection with the formation or management of any such body corporate as is mentioned in paragraph (b) of subsection (2) of this section or in connection with the creation, or with the execution of the trusts, of any such settlement as is mentioned in paragraph (c) thereof.
- (4) For the purposes of this section—
- (a) the expressions " settlement " and " settlor " have the meanings assigned to them respectively by paragraph (b) of subsection (4) of section forty-one of the Finance Act, 1938;
 - (b) the expression " investment company " has the same meaning as in section twenty of the Finance Act, 1936.

18 Power to obtain information as to income from securities.

- (1) The Special Commissioners may by notice in writing require—
- (a) any person being a registered or inscribed holder of any United Kingdom securities who, in the year 1939-40 or any subsequent year of assessment, has received on behalf of any other person any income arising from any such securities; or
 - (b) any person by or through whom, in any such year of assessment, any income in respect of United Kingdom securities has been paid in any case where—
 - (i) the registered or inscribed holder of the securities is not the person to whom the income was paid, or

- (ii) the securities are bearer securities;
- to furnish them within such time as may be specified in the notice (not being less than twenty-eight days) with particulars of the amounts so received or, as the case may be, paid in that year (other than amounts received or paid in that year on behalf of or to any one person which do not exceed in the aggregate the sum of fifteen pounds), the securities to which those amounts respectively relate, and the names and addresses of the persons on whose behalf or to whom those amounts were respectively received or paid.
- (2) The Special Commissioners may similarly require any person who acts or has acted, directly or indirectly, as an intermediary or as one of a series of intermediaries between any such person as is specified in paragraphs (a) or (b) of the preceding subsection and the person or persons beneficially entitled to the income in question to furnish such information as the Commissioners may require for the purpose of enabling them to ascertain the names and addresses of the person or persons beneficially entitled to the income and the respective amounts to which those persons were beneficially entitled.
- (3) The Special Commissioners may similarly require—
- (a) any company which appears to them to be a company to which section twenty-one of the Finance Act, 1922, applies to furnish them with particulars of any bearer securities issued, whether before or after the passing of this Act, by the company, and the names and addresses of the persons to whom the securities were issued and the respective amounts issued to each person;
 - (b) any person to whom securities were issued as aforesaid or to or through whom such securities were subsequently sold or transferred to furnish them with such further information as they may require with a view to enabling them to ascertain the names and addresses of the persons beneficially interested in the securities.
- (4) If any person to whom the Special Commissioners have given notice as aforesaid fails to comply with the notice within the time specified therein or such further time, if any, as those Commissioners may allow, he shall be liable to a penalty not exceeding fifty pounds and, after judgment has been given for that penalty, to a further penalty of the like amount for every day during which the failure continues.
- (5) Nothing in this section shall impose on any bank the obligation to disclose any particulars relating to income from securities in cases where the person beneficially entitled to the income is not resident in the United Kingdom.
- (6) In this section—
- (a) the expression " securities " includes shares, stocks, bonds, debentures and debenture stock, and, in relation to a company to which subsection (3) of this section applies, also any promissory note or other instrument evidencing indebtedness issued to a person who is a loan creditor thereof;
 - (b) the expression " United Kingdom securities " means any securities issued by or on behalf of His Majesty's Government in the United Kingdom or the Government of Northern Ireland and any securities of a body corporate incorporated in any part of the United Kingdom;
 - (c) the expression " loan creditor " has the same meaning as in section twenty of the Finance Act, 1936.

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

19 Information as to payments to employees and others.

- (1) In section one hundred and five of the Income Tax Act, 1918, (which requires employers to give particulars of payments made to certain employees) the references to payments made to persons in respect of their employment and to the remuneration of persons in their employment, shall be deemed to include references—
- (a) to any payments made after the fifth day of April, nineteen hundred and thirty-eight, to employed persons in respect of expenses ;
 - (b) to any payments made after the said date on behalf of employed persons and not repaid; and
 - (c) to any payments made after the said date to the employees in a trade or business for services rendered in connection with the trade or business, whether the services were rendered in the course of their employment or not.
- (2) Every person carrying on a trade or a business, if required to do so by notice from a surveyor, shall within the time specified in the notice make and deliver to the surveyor a return of all payments or other consideration to which this subsection applies, made or given during a year specified in the notice, giving the names and addresses of the individuals to whom the payments were made or the consideration given, and, in each case, stating the amount of the payment or giving particulars of the consideration, as the case may be; and the provisions of the Income Tax Acts with respect to the failure to deliver lists, declarations and statements in accordance with a particular or general notice shall apply to any such return:

Provided that no payments made to any individual shall be required to be included in any such return if the total amount of the payments to that individual in the year covered by the return does not exceed fifteen pounds.

This subsection applies to any payment or other valuable consideration made or given after the fifth day of April, nineteen hundred and thirty-eight in the course of the trade or business in question or in connection with its formation, acquisition, development or disposal, being a payment or consideration which is in the nature of a commission for services rendered, and is made or given to any individual who is not an employee of the person making the return.

PART III

ARMAMENT PROFITS DUTY.

20 Charge of armament profits duty.

- (1) Where the profits arising in any chargeable accounting period falling within the three years beginning with the first day of April, nineteen hundred and thirty-nine, from any armament business (as hereinafter defined) exceed the standard profits, there shall be charged on so much of the excess as arises from armament contracts a tax (to be known as the armament profits duty) equal to three-fifths of that part of the excess.
- (2) The proportion of any such excess as is mentioned in subsection (1) of this section which is to be attributed to armament contracts shall be ascertained by reference to the proportion which the turnover under armament contracts bears to the total turnover of the business in the chargeable accounting period in question :

Provided that—

- (a) if the person carrying on the business satisfies the Commissioners that in fact a proportion of the excess less than that ascertained as aforesaid arises from armament contracts, such adjustment shall be made as appears to the Commissioners to be just; and
 - (b) if on the application of the Commissioners the Board of Referees, after giving the person carrying on the business an opportunity of being heard, are satisfied that in fact a proportion of the excess greater than that ascertained as aforesaid arises from armament contracts, such adjustment shall be made as appears to the Board of Referees to be just.
- (3) If the person carrying on a business is dissatisfied with any decision of the Commissioners under proviso (a) to the last preceding subsection, he may appeal to the Board of Referees and the Board may make such order in the matter as they think just.
- (4) If any dispute arises between the Commissioners and the person carrying on any business whether or not a contract is an armament contract, the matter may, on the application of either party, be referred to the Minister and the Minister, after giving each party an opportunity to be heard, shall decide the matter and his decision shall be final.

21 Meaning of " armament business " and " armament contract."

- (1) If the Minister declares to the Commissioners that in any accounting period the total receipts of a business under armament contracts were not less than two hundred thousand pounds or, if the accounting period is less than twelve months, not less, than such sum as bears to two hundred thousand pounds the like proportion that the length of the period bears to twelve months, the business shall, in relation to any chargeable accounting period which consists or forms part of that accounting period, be deemed to be an armament business :

Provided that, before making any such declaration with respect to a business, the Minister shall give to the person carrying on that business at least twenty-eight days' notice that he proposes to do so and shall consider any representations made by that person before the expiration of that period and, if he makes the declaration, shall notify that person accordingly.

- (2) For the purposes of the provisions of this Act relating to armament profits duty the expression " armament contract " means, in relation to any business—
- (a) a contract between the person carrying on the business and His Majesty's Government in the United Kingdom, being—
 - (i) a contract for the supply of anything required for the purposes of the armed forces of the Crown or of any foreign armed forces or for the purposes of any enactment (whether passed before or after the passing of this Act) relating to civil defence, or for the supply of any machines, tools, or materials required for making or repairing anything required for any of those purposes; or
 - (ii) a contract for the execution of any works required for any of those purposes; or
 - (iii) a contract for the supply of anything which is being acquired by the Crown under the Essential Commodities Reserves Act, 1938, if similar supplies are also being acquired by the Crown under contracts which are armament contracts by virtue of sub-paragraph (i) of this paragraph; or

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- (iv) a contract for the supply of anything which is being acquired by the Crown otherwise than under the said Act as being something which would be essential for the needs of the community in the event of war;
- (b) a contract under which the person carrying on the business supplies anything to, or executes any works for, any other person, being a contract entered into by that other person for the purpose of enabling him to perform an armament contract; or
- (c) a contract between the person carrying on the business (being a company) and His Majesty's Government in the United Kingdom for the construction, alteration or management by the company as agent for that Government of any factory in the United Kingdom which belongs, or is to belong, to the Crown, but only to the extent of any remuneration payable by His Majesty's Government in respect of such agency:

Provided that nothing in this subsection shall apply to any contract for the supply of any such articles or materials as may from time to time be specified in an order of the Minister, being articles or materials which in his opinion are commonly required for purposes other than those mentioned in this subsection and for that reason cannot equitably be brought within the scope of the provisions thereof.

22 Computation of standard profits.

- (1) For the purposes of armament profits duty, the standard profits of a business shall be computed in accordance with the following provisions of this section :

Provided that in relation to a chargeable accounting period which is less than twelve months, the standard profits computed as aforesaid shall be proportionately reduced so as to correspond with the length of the period.

- (2) If the business was commenced on or before the first day of July, nineteen hundred and thirty-six, the standard profits shall be ascertained by reference to the profits of the standard period as hereinafter defined and, subject as hereinafter provided, shall be, where the standard period is one year, the amount of those profits and, where the standard period is two years, half the amount of those profits.
- (3) If the business was commenced on or before the first day of January, nineteen hundred and thirty-five, the standard period shall be, at the option of the person carrying on the business, either the year nineteen hundred and thirty-five, the year nineteen hundred and thirty-six, the years nineteen hundred and thirty-five and nineteen hundred and thirty-seven or the years nineteen hundred and thirty-six and nineteen hundred and thirty-seven.
- (4) If the business was commenced after the first day of January, nineteen hundred and thirty-five, and on or before the first day of January, nineteen hundred and thirty-six, the standard period shall, at the option of the person carrying on the business, be the year nineteen hundred and thirty-six or that and the following year.
- (5) If the business was commenced after the first day of January, nineteen hundred and thirty-six, and on or before the first day of July in that year, the standard period shall be such consecutive period of twelve months ending not later than the end of June, nineteen hundred and thirty-seven, as the person carrying on the business may select.
- (6) If, on the application of the person carrying on the business, the Board of Referees are satisfied that, in the standard period, the rate of profit or the volume of business was

less than might then have been reasonably expected, they may direct that the standard profits shall be ascertained as if the profits for that period were such greater amount as they think just:

Provided that where the person carrying on the business is a company, the said amount shall not exceed the amount necessary to provide dividends for the standard period—

- (a) as respects the paid-up ordinary share capital of the company, of six per cent. per annum;
- (b) as respects any other paid-up share capital of the company, at the fixed rate per annum payable in respect thereof;

unless the Board are satisfied that owing to some specific cause peculiar to the business it is just that a greater amount should be allowed.

- (7) If, in the case of any business to which subsection (2) of this section applies, the average amount of the capital employed in the business in any chargeable accounting period is greater or less than the average amount of the capital employed therein in the standard period, there shall, in relation to that chargeable accounting period, be added to or, as the case may be, subtracted from, the standard profits the statutory percentage of the increase or decrease.
- (8) In the case of a business commenced after the first day of July, nineteen hundred and thirty-six, the standard profits shall, in relation to any chargeable accounting period, be the statutory percentage of the average amount of the capital employed in the business in that period.
- (9) In this section the expression " statutory percentage " means—
 - (a) in relation to a business carried on by a company (other than a company the directors whereof have a controlling interest therein) eight per cent.;
 - (b) in relation to a business not so carried on, ten per cent.:

Provided that, in relation to any decrease of capital the statutory percentage shall be in all cases six per cent.

23 Provisions as to computation of profits and capital.

- (1) For the purposes of the armament profits duty, the profits arising from a business in any year constituting or comprised in the standard period or arising in any chargeable accounting period shall be separately computed, and shall be so computed on the principles on which the profits arising therefrom are computed for the purposes of income tax under Case I of Schedule D, as adapted in accordance with the provisions of Part I of the Ninth Schedule to this Act, and the average amount of the capital employed in a business in any such year or period shall be computed in accordance with Part II of that Schedule.
- (2) Where a standard period or chargeable accounting period is not a period for which the accounts of a business have been made up, such division and apportionment to specific periods of the profits and losses for any period for which the accounts relating to the business have been made up, and such aggregation of any such profits or losses or any apportioned part thereof, shall be made as appears necessary to arrive at the profits arising in the standard period or chargeable accounting period.
- (3) Any apportionment under the preceding subsection shall be made in proportion to the number of months or portions of months in the respective periods, unless the Commissioners having regard to any special circumstances otherwise direct.

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

24 Succession and amalgamation.

- (1) As from the date of any change in the persons carrying on a business, the business shall, for the purposes of armament profits duty, be deemed to have been discontinued and a new business shall be deemed to have commenced:

Provided that—

- (a) where the change consists of the death or retirement of a partner, or the taking in of a partner, the persons carrying on the business after the change may, by notice in writing to the Commissioners, elect that the business shall not be deemed to have been discontinued and that a new business shall not be deemed to have commenced; and
 - (b) a business which at the date of any such change is an armament business shall not be deemed to be discontinued by reason of the change, and the standard profits of the business for any chargeable accounting period shall be computed accordingly, and, in particular, in computing the capital employed in the business after the change, no regard shall be had to any consideration given in respect of the transfer of the business or any of the assets thereof on the occasion of the change.
- (2) Where two or more businesses are amalgamated and immediately before the amalgamation any of those businesses were armament businesses, the resulting business shall be treated for the purposes of the provisions of this Act relating to the computation of standard profits as if—
- (a) it had been in existence throughout the period during which there were in existence any of the former businesses which were armament businesses immediately before the amalgamation;
 - (b) any profits made or losses incurred or capital employed in any of those former businesses had been made, incurred or employed in the resulting business; and
 - (c) any assets of any of those former businesses had become assets of the resulting business when they became assets of the former business,

and, in particular, in computing the capital employed in the resulting business, no regard shall be had to any consideration given in respect of the transfer of any of those former businesses or any of the assets thereof, on the occasion of the amalgamation :

Provided that nothing in this section shall affect any liability to armament profits duty in respect of any period before the amalgamation.

- (3) Where part of an armament business is transferred (as a going concern) by the person theretofore carrying it on to another person, the part transferred and the part not transferred shall each be deemed for the purposes of the provisions of this Act relating to the computation of standard profits to be a continuation of the original business, and the said provisions, including the provisions of this section relating to amalgamations, shall apply accordingly, subject to any necessary modifications :

Provided that, for the purpose aforesaid, such apportionments shall be made of the profits made, and losses incurred, and the capital employed, in the original business, and of any assets of the original business, as may appear to the Commissioners, or, on appeal to the Board of Referees, to that Board, to be just.

- (4) Notwithstanding anything in the foregoing provisions of this section, where a business was carried on immediately before the first day of July, nineteen hundred and thirty-six, and that business, or the main part of that business, was transferred after the said day and before the first day of April, nineteen hundred and thirty-nine, by the

person carrying it on to another person, the Commissioners, if they are satisfied that the business carried on after the transference was not substantially different from the business or part transferred, may, on the application of the person carrying on the business after the transference, treat that person, for the purposes of the provisions of this Act relating to the computation of standard profits, as if he had carried on the transferred business or part of a business as from the date of the commencement of that business, subject, however, to such modifications (including modifications as respects the computation of capital) as may be just:

Provided that if the Commissioners refuse an application under this subsection or if the applicant is dissatisfied with any modifications made by the Commissioners, the applicant may appeal to the Board of Referees.

25 Duty to give information.

- (1) Where the total receipts of a business under armament contracts in any accounting period falling wholly or partly within the three years beginning with the first day of April, nineteen hundred and thirty-nine amount—
 - (a) in a case where the period is twelve months, to two hundred thousand pounds; or
 - (b) in a case where the period is less than twelve months, to such sum as bears to two hundred thousand pounds the like proportion as the length of the period bears to twelve months,

it shall be the duty of the person carrying on the business, as soon as may be after the said receipts amount to the said sum, and in any case not later than twenty-one days after the end of the accounting period, to notify the Minister to that effect.

- (2) It shall be the duty of any person who, for the purpose of enabling himself to perform an armament contract, had, whether before or after the passing of this Act, entered into another contract with any persons carrying on a business in the United Kingdom (being a contract for the supply of anything by them to him, or the execution of any works by them for him, under which payments fall to be made to them during the three years beginning with the first day of April, nineteen hundred and thirty-nine), to send to those persons, as soon as may be after the passing of this Act, or, as the case may be, after entering into the contract, a notice in writing stating that the contract has been entered into for that purpose.
- (3) It shall be the duty of the person carrying on a business—
 - (a) if required by the Minister by notice in writing so to do, to furnish within such time, not exceeding twenty-eight days, as may be specified in the notice, such particulars as may be so specified, being particulars reasonably required for the purpose of enabling the Minister to perform his functions under this Act;
 - (b) in such classes of cases as the Minister may by order specify, to furnish to the Minister, without being served with any such notice as aforesaid such particulars as may be specified in the order of any contracts entered into by him for the purpose of enabling him to fulfil any armament contracts.
- (4) Any person who fails to comply with the provisions of this section shall be liable on summary conviction to a fine not exceeding two hundred pounds and, if the default in respect of which he was so convicted continues after the conviction, he shall be liable on summary conviction to a fine not exceeding fifty pounds for each day on which the default so continues:

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Provided that it shall be a defence for any person charged with failing to make a report under subsection (1) of this section to prove that, by reason of the failure of any other persons to send him a notice under subsection (2) of this section, he had no means of knowing that his receipts under armament contracts had amounted to the sum mentioned in subsection (1) of this section.

- (5) Any person who, in giving a notice or furnishing particulars under this section, knowingly makes any false statement, shall be liable on summary conviction to a fine not exceeding two hundred pounds or to imprisonment for a term not exceeding three months or to both such fine and such imprisonment.

26 Application to armament profits duty of Fifth Schedule to Finance Act, 1937, and c.

- (1) The provisions of the Fifth Schedule to the Finance Act, 1937 (which relate to the assessment and the collection of the national defence contribution, appeals and supplementary provisions), including the provisions thereof enabling the Commissioners to make regulations, shall have effect with respect to armament profits duty as they have effect with respect to the national defence contribution:

Provided that—

- (a) no appeal shall lie to the General Commissioners from any assessment;
 - (b) no appeal shall lie to the Special Commissioners in respect of any matter with respect to which an appeal lies to the Board of Referees, or which is by this Act to be decided by that Board or by the Minister, or is left to the discretion of the Commissioners;
 - (c) the power of the Commissioners to make regulations with respect to the hearing of appeals under Part II of the said Schedule shall extend to the hearing of appeals and the deciding of any matters by the Board of Referees under this Part of this Act; and
 - (d) the powers conferred by Part III of the said Schedule on a surveyor shall be exercisable also by the Commissioners.
- (2) The obligation as to secrecy imposed by the Income Tax Acts and by the said Schedule (both as originally enacted and as applied by the preceding provisions of this section) shall not prevent disclosure to the Minister or any authorised officer of the Minister of such facts as may be necessary for the purpose of carrying the provisions of this Act relating to armament profits duty into effect.

27 Deduction of armament profits duty in computing liability to income tax and national defence contribution.

The amount of the armament profits duty payable in respect of a business for any chargeable accounting period shall, in computing for the purposes of income tax or the national defence contribution the profits and gains, or the profits, arising from that business, be allowed to be deducted as an expense incurred in that period.

28 Interpretation, and c.

- (1) In the provisions of this Act relating to armament profits duty—
- (a) the expression " the Commissioners " means the Commissioners of Inland Revenue;

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

- (b) the expression " the Board of Referees " means the Board of Referees for the purposes of Rule 6 of the Rules applicable to Cases I and II of Schedule D of the Income Tax Act, 1918;
 - (c) the expression " turnover " means the net amounts charged, in the chargeable accounting period in question, by the person carrying on the business to the persons with whom he deals, or, in relation to a contract part of the profits or losses under which are taken into account for the purposes of armament profits duty in that period, so much of the total net amount which has been or will be so charged under that contract as is properly attributable to that period;
 - (d) the expressions " company, " " director, " and " ordinary share capital " have the same meanings as they have for the purposes of the Fourth Schedule to the Finance Act, 1937 ;
 - (e) the expression " the fixed rate " in relation to share capital other than ordinary share capital, includes a rate fluctuating in accordance with the standard rate of income tax;
 - (f) the expression " the Minister " means such Minister of the Crown as His Majesty may designate by Order in Council;
 - (g) the expression " accounting period " has the same meaning in relation to a business as it has for the purpose of the national defence contribution;
 - (h) the expression " chargeable accounting period " means—
 - (i) any accounting period which falls wholly within the three years beginning with the first day of April, nineteen hundred and thirty-nine; and
 - (ii) in a case where any accounting period falls partly within and partly without the said three years, such part' of that period as falls within those three years.
 - (i) the expression " articles and materials " includes water, gas, electricity and hydraulic power.
- (2) Any Order in Council or order under the provisions of this Act relating to armament profits duty may be revoked or varied by a subsequent Order in Council or order, as the case may be.
- (3) Any order of the Minister under the said provisions shall, as soon as may be after the making thereof, be laid before the Commons House of Parliament, and if that House of Parliament, within the period of forty days beginning with the day on which any such order is laid before it, resolves that the order be annulled it shall thereupon become void, without prejudice, however, to anything previously done thereunder or to the making of a new order.

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

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PART IV

ESTATE DUTY.

29 Increased rates of Estate duty.

In the case of persons dying after the twenty-fifth day of April, nineteen hundred and thirty-nine, the rates of Estate duty set out in the Second Schedule to the Finance Act, 1930, shall, so far as they relate to estates the principal value of which exceeds fifty thousand pounds, be increased, in the case of each rate, by one-tenth of the amount thereof:

Provided that, where an interest in expectancy within the meaning of Part I of the Finance Act, 1894, in any property (other than property deemed to pass on a death by virtue of section thirty-five of the Finance Act, 1930) has, before the twenty-sixth day of April, nineteen hundred and thirty-nine, been bona fide sold or mortgaged for full consideration in money or money's worth, then no other duty on that property shall be payable by the purchaser or mortgagee when the interest falls into possession than would have been payable if this section had not passed, and, in the case of a mortgage, any higher duty payable by the mortgagor shall rank as a charge subsequent to that of the mortgagee.

30 Estate duty on certain interests arising on death.

- (1) Paragraph (d) of subsection (1) of section two of the Finance Act, 1894, (which provides that property passing on the death of a deceased person shall be deemed to include any annuity or other interest purchased or provided by the deceased) shall have effect in relation to an annuity or other interest that was purchased or provided wholly or in part by any person who was at any time entitled to, or amongst whose resources there was at any time included, any property derived from the deceased, as if that annuity or other interest had been provided by the deceased, or, if it is proved to the satisfaction of the Commissioners that the application of all the property derived from the deceased would have been insufficient to provide the whole of that annuity or other interest, as if a similar annuity or interest of an amount reduced to an extent proportionate to the insufficiency proved had been provided by the deceased :

Provided that for the purpose of determining whether there would have been any such insufficiency as aforesaid, and the extent thereof, there shall be excluded from the property derived from the deceased any part thereof as to which it is proved to the satisfaction of the Commissioners that the disposition of which it, or the property which it represented, was the subject matter was not made with reference to, or with a view to enabling or facilitating, the purchase or provision of the annuity or other interest, or the recoupment in any manner of the cost thereof.

- (2) For the purpose of section four of the Finance Act, 1894, the deceased shall be deemed to have had an interest in any property included by virtue of this section in the property passing on the death of the deceased.
- (3) In this section the following expressions have the meanings hereby assigned to them respectively, that is to say—
- (a) " property derived from the deceased " means any property which was the subject matter of a disposition made by the deceased, either by himself alone or in concert or by arrangement with any other person, otherwise than for full consideration in money or money's worth paid to him for

his own use or benefit, or which represented any of the subject matter of such a disposition, whether directly or indirectly, and whether by virtue of one or more intermediate dispositions, and whether any such intermediate disposition was or was not for full or partial consideration;

- (b) " disposition " includes any trust, covenant, agreement or arrangement; and
- (c) " subject matter " includes, in relation to any disposition, any annual or periodical payment made or payable under or by virtue of the disposition.

- (4) This section shall have effect only in the case of a person dying after the twenty-fifth day of April, nineteen hundred and thirty-nine.

31 Exclusion of certain debts, and c, from deduction in valuing for estate duty.

- (1) Any allowance which, but for this provision, would be made under subsection (1) of section seven of the Finance Act, 1894, for a debt incurred by the deceased as mentioned in paragraph (a) of that subsection, or for an incumbrance created by a disposition made by the deceased as therein mentioned, shall be subject to abatement to an extent proportionate to the value of any of the consideration given therefor which consisted of—
 - (a) property derived from the deceased; or
 - (b) consideration not being such property as afore said, but given by any person who was at any time entitled to, or amongst whose resources there was at any time included, any property derived from the deceased :

Provided that if, where the whole or a part of the consideration given consisted of such consideration as is mentioned in paragraph (b) of this subsection, it is proved to the satisfaction of the Commissioners that the value of the consideration given, or of that part thereof, as the case may be, exceeded that which could have been rendered available by application of all the property derived from the deceased, other than such (if any) of that property as is included in the consideration given or as to which the like facts are proved in relation to the giving of the consideration as are mentioned in the proviso to subsection (1) of the last preceding section in relation to the purchase or provision of an annuity or other interest, no abatement shall be made in respect of the excess.

- (2) Money or money's worth paid or applied by the deceased in or towards satisfaction or discharge of a debt or incumbrance in the case of which subsection (1) of this section would have had effect on his death if the debt or incumbrance had not been satisfied or discharged, or in reduction of a debt or incumbrance in the case of which that subsection has effect on his death, shall, unless so paid or applied three years before the death, be treated as property deemed to be included in the property passing on the death by virtue of paragraph (c) of subsection (1) of section two of the Finance Act, 1894, and Estate duty shall, notwithstanding anything in section three of that Act, be payable in respect thereof accordingly.
- (3) The provisions of subsection (3) of the last preceding section shall have effect for the purpose of this section as they have effect for the purpose of that section.
- (4) This section shall have effect only in the case of a person dying after the twenty-fifth day of April, nineteen hundred and thirty-nine.

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

PART V

NATIONAL DEBT.

32 Provisions as to permanent annual charge for the National Debt.

- (1) The permanent annual charge for the National Debt for the financial year ending on the thirty-first day of March, nineteen hundred and forty, shall be the sum of two hundred and thirty million pounds instead of the sum of three hundred and fifty-five million pounds.
- (2) The Treasury may at any time, if they think fit, raise money in any manner in which they are authorised to raise money under and for the purposes of subsection (1) of section one of the War Loan Act, 1919, for providing any sums required during the said financial year for the purposes mentioned in paragraph (a) or paragraph (b) of subsection (4) of section twenty-three of the Finance Act, 1928, and the amount required by the said subsection (4) to be issued from the permanent annual charge for the National Debt for the purposes aforesaid in that year shall be decreased by the amount raised under this subsection.
- (3) Any securities created and issued to raise money under the last preceding subsection shall be deemed for all purposes to have been created and issued under subsection (1) of section one of the War Loan Act, 1919.

33 Amendment as to deficit for 1938-39.

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

34 Payment into Exchequer out of unclaimed dividends account.

The National Debt Commissioners shall, as and when the Treasury request, pay into the Exchequer out of their account of unclaimed dividends under Part VII of the National Debt Act, 1870, sums not exceeding in the whole one million five hundred thousand pounds, and may for that purpose sell any stock standing to the credit of that account.

35 Provisions as to Government stock.

- (1) At the end of subsection (1) of section thirty-seven of the Finance Act, 1917 (which enables regulations to be made for facilitating dealings with Government stock) there shall be inserted the following paragraph—
 - “(j) for enabling, in the case of Government stock shown in the prescribed manner to be subject to a trust to which the law of Scotland applies, anything required to be done in connection with the transference of the stock or the payment or accumulation of dividends thereon or the receipt or reinvestment of money payable on the redemption thereof to be done in accordance with the law of Scotland, and appointments, resignations and removals of trustees to be evidenced in any manner which would be sufficient under the law of Scotland”.

- (2) A warrant given by the Bank for the payment of any cash bonus payable on behalf of His Majesty's Government in consideration of any offer made for the exchange of any Government stock shall be deemed to be a cheque within the meaning of the Bills of Exchange Act, 1882, and shall be exempt from stamp duty.
- (3) In the event of the redemption of any Government stock the books and the transfer by deed register of the Bank and the Post Office register may be closed for transfers of the stock for not more than one month immediately preceding the redemption date.
- (4) In this section the expressions " Government stock " and " the Bank " have the same meaning as they have for the purposes of Part V of the Finance Act, 1921.

PART VI

MISCELLANEOUS.

36 Amendment of paragraph 2 (1) of Fourth Schedule to Finance Act, 1937.

- (1) In considering for the purposes of sub-paragraph (1) of paragraph 2 of the Fourth Schedule to the Finance Act, 1937 (which allows losses sustained before the first of the relevant accounting periods to be deducted in certain cases from profits which would otherwise be chargeable to national defence contribution) whether a person carrying on any such business as is mentioned in sub-paragraph (a) of paragraph 7 of that Schedule has sustained any, and if so what, loss in the business before the beginning of the first of the relevant accounting periods (over and above any loss in respect of which relief has been given under any of the enactments referred to in subsection (1) of section thirty-three of the Finance Act, 1926) income received from investments or other property shall be taken into account notwithstanding that it has been separately charged to income tax by deduction or otherwise.
- (2) In this section the expression " relevant accounting period " has the same meaning as in paragraph 2 of the Fourth Schedule to the Finance Act, 1937, that is to say, an accounting period (as defined for the purposes of Part III of that Act) falling wholly or partly within the five years beginning on the sixth day of April, nineteen hundred and thirty-seven.
- (3) The enactments relating to the national defence contribution shall be deemed always to have had effect as amended by this section.

37 Composition for stamp duties in the case of colonial stock, and c.

- (1) Any Government which has issued stock to which this section applies may enter into an agreement with the Commissioners, if the Commissioners in their discretion think proper, providing—
 - (a) for the delivery by that Government to the Commissioners, immediately after the coming into effect of the agreement, and thereafter on each half-yearly date, of an account showing, in relation to either all such stock as aforesaid, or such stock as may be specified in the agreement, the nominal amount of stock existing at the time of the delivery of the account;
 - (b) for the payment by the Government to the Commissioners, on the occasion of the delivery of each such account, of the sum hereinafter mentioned by

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

way of composition for the stamp duty which would otherwise be payable on transfers of the stock.

- (2) The sum so payable shall, in the case of each account, be threepence for every one hundred pounds, and any fraction of one hundred pounds, of the aggregate nominal amount of stock included in the account:

Provided that in the case of the first account, the sum payable shall, unless the account is delivered on a half-yearly date, be reduced so as to bear to the sum computed as aforesaid the same proportion as the number of days in the period beginning with the date of the delivery of the account and ending with the then current half year bears to the total number of days in that half year.

- (3) Where such an account as aforesaid has been duly delivered and the composition paid, transfers of the stock included in the account, made on or after the date of the payment of the composition and before the end of the half year current when the account is delivered, shall be exempt from stamp duty.
- (4) Section one hundred and fourteen of the Stamp Act, 1891 (which provides for the composition for stamp duty on stock), shall not apply in relation to any stock in respect of which an agreement under this section is in force.
- (5) This section applies to—
- (a) any dominion or colonial stock transfers of which are chargeable with stamp duty under the heading in the First Schedule to the Stamp Act, 1891, "Conveyance or Transfer, whether on sale or otherwise";
 - (b) any other stock to which the Colonial Stock Acts, 1877 to 1900, as extended by any subsequent enactment, apply; and
 - (c) any guaranteed stock issued by the Government of any part of His Majesty's dominions outside the United Kingdom, of any British protectorate or British protected state or of any territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty.

- (6) In this section, the following expressions have the meanings hereby assigned to them, that is to say :—

" the Commissioners " means the Commissioners of Inland Revenue;

" half-yearly date " means the first day of February or the first day of August in any year;

" half year " means a period of six months beginning with a half-yearly date;

" stock " has the same meaning as in the Stamp Act, 1891;

" guaranteed stock " means stock the principal of which, or the interest on which, is guaranteed by any Act of the Parliament of the United Kingdom or by the Treasury in pursuance of any such Act.

38 Short title, construction and extent.

- (1) This Act may be cited as the Finance Act, 1939.
- (2) Part I of this Act, so far as it relates to duties of customs, shall be construed as one with the Customs Consolidation Act, 1876, and so far as it relates to duties of excise shall be construed as one with the Acts which relate to the duties of excise and to the management of those duties, and the expression " the Commissioners " in the said Part I means the Commissioners of Customs and Excise.

- (3) Part II of this Act shall be construed as one with the Income Tax Acts.
- (4) Part IV of this Act shall be construed as one with Part I of the Finance Act, 1894.
- (5) Any reference in this Act to any other enactment shall, unless the contrary is expressly provided or the context otherwise requires, be construed as a reference to that enactment as amended by any subsequent enactment, including this Act.
- (6) In this Act, the expression " the United Kingdom " does not include the Isle of Man.
- (7) Such of the provisions of this Act as relate to matters with respect to which the Parliament of Northern Ireland has power to make laws shall not extend to Northern Ireland.

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

SCHEDULES.

FIRST SCHEDULE

Section 1.

TOBACCO.

PART I

CUSTOMS DUTIES.

	<i>s.</i>	<i>d.</i>
Upon tobacco unmanufactured, viz.—		
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof—		
unstripped the lb.	11	6
stripped	11	6 ½
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof—		
unstripped the lb.	12	6
stripped	12	6 ½
Upon tobacco manufactured, viz.—		
Cigars	20	1
Cigarettes	16	7
Cavendish or Negrohead	15	9
Cavendish or Negrohead manufactured in bond	14	0
Other manufactured tobacco	14	0
Upon snuff—		
containing more than 13 lbs. of moisture in every 100 lbs. weight thereof the lb.	13	4
containing not more than 13 lbs. of moisture in every 100 lbs. weight thereof the lb.	15	9

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

	<i>s.</i>	<i>d.</i>
and so in proportion for any less quantity.		

PART II

EXCISE DUTIES.

	<i>s.</i>	<i>d.</i>
Upon tobacco unmanufactured, viz.—		
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof the lb.	9	3 ½
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof the lb.	10	0 ⅞
Upon tobacco manufactured, viz.—		
Cavendish or Negrohead manufactured in bond - the lb.	11	4 ⅞
and so in proportion for any less quantity.		

PART III

DRAWBACK.

Description of Tobacco.	Rate per pound.			
	In respect of tobacco on which full customs duty has been paid.		In respect of tobacco on which customs duty at a preferential rate or excise duty has been paid.	
	<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>
Cigars	12	9	10	6
Cigarettes	12	6	10	4
Cut, roll, cake or other manufactured tobacco	12	3	10	1
Snuff (not being offal snuff)	12	0	9	11

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

Description of Tobacco.	Rate per pound.			
	In respect of tobacco on which full customs duty has been paid.		In respect of tobacco on which customs duty at a preferential rate or excise duty has been paid.	
Stalks, shorts, or other refuse of tobacco including offal snuff	11	9	9	8

SECOND SCHEDULE

Section 2.

SUGAR, &C.

PART I

FULL RATES OF CUSTOMS DUTY AND AMOUNTS OF GENERAL PREFERENTIAL REDUCTIONS.

Article.		Full rate of Customs duty.		Amount of General Preferential Reduction.	
		<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>
Sugar of a polarisation exceeding 99°	-the cwt.	14	0	5	10
Sugar of a polarisation exceeding :—					
98° but not exceeding 99°	the cwt.	14	0	7	0.4
97 but not exceeding 98°	the cwt.	10	8.8	3	11.3
96° but not exceeding 97°	the cwt.	10	5.4	3	10.0
95° but not exceeding 96°	the cwt.	10	2.0	3	8.8
94° but not exceeding 95°	the cwt.	9	10.7	3	7.6
93° but not exceeding 94°	the cwt.	9	7.03	3	6.3
92° but not exceeding 93°	the cwt.	9	4.0	3	5.1

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

Article.	Full rate of Customs duty.		Amount of General Preferential Reduction.		
91° but not exceeding 92°	the cwt.	9	0.6	3	3.9
90° but not exceeding 91°	the cwt.	8	9.2	3	2.6
89° but not exceeding 90°	the cwt.	8	5.9	3	1.4
88° but not exceeding 89°	the cwt.	8	2.5	3	0.2
87° but not exceeding 88°	the cwt.	7	11.7	2	1.11
86° but not exceeding 87°	the cwt.	7	8.9	2	10.1
85 but not exceeding 86°	the cwt.	7	6.4	2	9.2
84° but not exceeding 85°	the cwt.	7	3.9	2	8.3
83° but not exceeding 84°	the cwt.	7	1.4	2	7.3
82° but not exceeding 83°	the cwt.	6	10.8	2	6.4
81° but not exceeding 82°	the cwt.	6	8.6	2	5.6
80° but not exceeding 81°	the cwt.	6	6.4	2	4.8
79° but not exceeding 80°	the cwt.	6	4.1	2	4.0
78° but not exceeding 79°	the cwt.	6	1.9	2	3.1
77 but not exceeding 78°	the cwt.	5	11.6	2	2.3
76 but not exceeding 77°	the cwt.	5	9.4	2	1.5
Sugar of a polarisation not exceeding 76°—	the cwt.	5	7.2	2	0.6
Molasses (except when delivered to a licensed distiller for use in the manufacture of spirits or yeast, or to a person for use in the manufacture of yeast in					

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

Article.	Full rate of Customs duty.		Amount of General Preferential Reduction.		
premises used solely for that purpose) :—					
if containing 70 per cent. or more of sweetening matter	the cwt.	8	10 ½	3	8 ½
less than 70 per cent. and more than 50 per cent. of sweetening matter	the cwt.	6	4 ½	2	8
not more than 50 per cent. Of sweetening matter	the cwt.	3	1 ½	1	3 ½
Glucose :					
Solid	the cwt.	8	10 ½	3	8 ½
Liquid	the cwt.	6	4 ½	2	8
Saccharin (including substances of a like nature or use)	the oz.	4	6	1	10 ½

PART II

RATES OF CUSTOMS DUTY ON CERTIFICATED COLONIAL SUGAR.

Article.	Rate of Duty.		
	s.	d.	
Sugar of a polarisation exceeding 99°	the cwt.	4	8.7
Sugar of a polarisation exceeding :—			
98° but not exceeding 99°	the cwt.	3	8.7
97° but not exceeding 98°	the cwt.	3	7.6

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

<i>Article.</i>	<i>Rate of Duty.</i>	
	<i>s.</i>	<i>d.</i>
96° but not exceeding the cwt. 97°	3	6.4
95° but not exceeding the cwt. 96°	3	5.2
94° but not exceeding the cwt. 95°	3	4.2
93° but not exceeding the cwt. 94°	3	3.0
92° but not exceeding the cwt. 93°	3	1.9
91° but not exceeding the cwt. 92°	3	0.7
90° but not exceeding the cwt. 91°	2	11.6
89° but not exceeding the cwt. 90°	2	10.5
88° but not exceeding the cwt. 89°	2	9.3
87° but not exceeding the cwt. 88°	2	8.4
86° but not exceeding the cwt. 87°	2	7.4
85° but not exceeding the cwt. 86°	2	6.6
84° but not exceeding the cwt. 85°	2	5.8
83° but not exceeding the cwt. 84°	2	4.9
82° but not exceeding the cwt. 83°	2	4.0
81° but not exceeding the cwt. 82°	2	3.3
80° but not exceeding the cwt. 81°	2	2.6
79° but not exceeding the cwt. 80°	2	1.7
78° but not exceeding the cwt. 79°	2	1.0
77° but not exceeding the cwt. 78°	2	0.2

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

<i>Article.</i>	<i>Rate of Duty.</i>	
	<i>s.</i>	<i>d.</i>
76° but not exceeding 77° the cwt.	1	11.5
Sugar of a polarisation not exceeding 76° the cwt.	1	10.8

PART III

RATES OF EXCISE DUTY ON SUGAR, MOLASSES, &C.

1. SUGAR.

<i>Article.</i>	<i>Rate of Duty.</i>	
	<i>s.</i>	<i>d.</i>
Sugar of a polarisation exceeding 99° the cwt.	6	11
Sugar of a polarisation exceeding :—		
98° but not exceeding 99° the cwt.	5	9.5
97° but not exceeding 98° the cwt.	5	7.8
96° but not exceeding 97° the cwt.	5	6.0
95° but not exceeding 96° the cwt.	5	4.2
94° but not exceeding 95° the cwt.	5	2.4
93° but not exceeding 94° the cwt.	5	0.7
92° but not exceeding 93° the cwt.	4	10.9
910 but not exceeding 92° the cwt.	4	9.1
90° but not exceeding 91° the cwt.	4	7.4
89° but not exceeding 90° the cwt.	4	5.6

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

<i>Article.</i>		<i>Rate of Duty.</i>	
<i>s.</i>		<i>d.</i>	
4	88° but not exceeding the cwt. 89°	4	3.8
4	87° but not exceeding the cwt. 88°	4	2.4
4	88° but not exceeding the cwt. 87°	4	0.9
3	85° but not exceeding the cwt. 86°	3	11.6
3	84° but not exceeding the cwt. 85°	3	10.2
3	83° but not exceeding the cwt. 84°	3	8.9
3	82° but not exceeding the cwt. 83°	3	7.6
3	81° but not exceeding the cwt. 82°	3	6.4
3	80° but not exceeding the cwt. 81°	3	5.2
3	79° but not exceeding the cwt. 80°	3	4.0
3	78° but not exceeding the cwt. 79°	3	2.9
3	77° but not exceeding the cwt. 78°	3	1.7
3	76° but not exceeding the cwt. 77°	3	0.5
2	Sugar of a polarisation not exceeding 76° the cwt.	2	11.3

2. MOLASSES, &C.

<i>Article</i>		<i>Rate of Duty.</i>	
		<i>s.</i>	<i>d.</i>
Molasses (including all sugar and extracts from sugar which cannot be completely tested by the polariscope), if containing—			
70 per cent. or more of sweetening matter	-the cwt.	4	4 ½
less than 70 per cent. and more than 50 per	-the cwt.	3	2

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

<i>Article</i>		<i>Rate of Duty.</i>	
		<i>s.</i>	<i>d.</i>
cent. of sweetening matter not more than 50 per cent. of sweetening matter	-the cwt.	1	7
Glucose—			
Solid	-the cwt.	4	4 ½
Liquid	-the cwt.	3	2
Saccharin (including substances of a like nature or use)	-the oz	2	3

PART IV

RATES OR DRAWBACK.

TABLE 1.

SCALE APPLICABLE IN THE CASE OF SUGAR PRODUCED IN THE UNITED KINGDOM FROM MATERIAL ON WHICH DUTY HAS BEEN PAID.

Nature of Sugar.	Rate of Duty Paid.	Rate or amount of Drawback.
Sugar of a polarisation exceeding 98° produced from material on which the full duties of customs have been paid.	14s. 0d. per cwt.	14s. 0d. per cwt.
	less than 14s. 0d. per cwt.	11s. 8d. per cwt.
Sugar of a polarisation exceeding 99° produced from material on which customs duty at the general preferential rates has been paid.	8s. 2d. per cwt.	8s. 2d. per cwt.
	less than 8s. 2d. per cwt.	7s. 4.7d per cwt.
Sugar of a polarisation exceeding 99° produced from material on which customs duty at the certificated colonial rates has been paid.	4s. 8.7 d. per cwt.	4s. 8-7d. per cwt.
	less than 4s. 8.7d. per cwt.	3s. 11.4d. per cwt.
Sugar of a polarisation exceeding 99° produced from material on which excise duty has been paid.	6s. 11d. per cwt.	6s. 11d. per cwt.
	less than 6s. 11d. per cwt.	6s. 1.7d. per cwt.

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

Nature of Sugar.	Rate of Duty Paid.	Rate or amount of Drawback.
Sugar of a polarisation not exceeding 98° produced from material on which the full duties of customs have been paid and sugar of a polarisation not exceeding 99° produced from material on which customs duty at the general preferential rates or the certificated colonial rates, or excise duty has been paid.	Any rate of duty.	A drawback equal to the duty chargeable on sugar of the like polarisation.

TABLE 2.

SCALE APPLICABLE IN THE CASE OF MOLASSES PRODUCED IN THE UNITED KINGDOM FROM MATERIAL ON WHICH DUTY HAS BEEN PAID.

Nature of Molasses.	Amount of Drawback.							
	Produced from material on which full customs duty has been paid.		Produced from material on which customs duty at the general preferential rates has been paid.		Produced from material on which customs duty at the certificated colonial rates has been paid.		Produced from material on which excise duty has been paid.	
Containing more than 80 per cent, of sweetening matter the cwt.	8s.	9d.	5s.	6 ½ d.	2s	11 ½ d	4s.	7d
Containing more than 70 per cent, but not more than 80 per cent, of sweetening matter - the cwt.	7s.	8 ½ d	4s.	10 ½ d	2s	7 d	4s.	0 ½ d.
Containing more than 60	5s.	7 ½ d	3s.	6 ½ d	1s	10 ½ d.	2s.	11 ½ d.

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

Nature of Molasses.	Amount of Drawback.							
	Produced from material on which full customs duty has been paid.	Produced from material on which customs duty at the general preferential rates has been paid.		Produced from material on which customs duty at the certificated colonial rates has been paid.		Produced from material on which excise duty has been paid.		
per cent, but not more than 70 per cent, of sweetening matter - the cwt.								
Containing more than 50 per cent, but not more than 60 per cent, of sweetening matter - the cwt.	4s.	2 ½ d	2s.	7 ½ d	1s.	5 d	2s.	2 ½ d
Containing not more than 50 per cent, of sweetening matter and weighing not less than fourteen pounds to the gallon the cwt.	2s.	9 ½ d	1s.	9d		11 d	1s.	5 ½ d

In this Part of this Schedule—

- (a) the expression " the general preferential rates " means the full rates of duty reduced by the amounts of the general preferential reductions specified in Part I of this Schedule;

- (b) the expression " the certificated colonial rates " means the rates of duty specified in Part II of this Schedule.

THIRD SCHEDULE

Section 3.

PROVISIONS AS TO DUTIES, DRAWBACKS AND REBATES ON CINEMATOGRAPH FILM.

- 1 In the Schedule to the Import Duties (General) Order, 1935 (as amended by any subsequent order) there shall be substituted for sub-paragraph (ii) of paragraph (20) of Group XVIII the sub-paragraphs set out in the Table below.

TABLE.

(ii) Unexposed sensitised cinematograph film.....	$\frac{1}{3}$ d. per linear foot.
(iii) Exposed cinematograph film—	
(a) of a width not exceeding one inch	1d. per linear foot.
(b) containing only a single sound track	1d. per linear foot.
(c) shown to the satisfaction of the Commissioners to consist wholly of photographs (with or without sound track) which at the time of importation are means of communicating news	1d. per linear foot.
(d) shown to the satisfaction of the Commissioners to be a duplicate of film on which customs duty has been paid at the rate of fivepence per linear foot and not refunded -	1d. per linear foot.
(e) other film	5d. per linear foot.

- 2 In the case of film of a greater width than the standard width of one and three-eighths inches, the customs duty chargeable shall be increased in proportion to the extent to which the width is greater than the standard width, and in the case of unexposed sensitised cinematograph film of less than the standard width, the customs duty chargeable shall be decreased in proportion to the extent to which the width is less than the standard width.
- 3 The Additional Import Duties (No. 8) Order, 1938, so far as it relates to cinematograph film, shall cease to have effect.
- 4 Notwithstanding anything in paragraph (2) of Article 2 of the Import Duties (General) Order, 1935, goods of any of the classes or descriptions specified in the said Table shall not be deemed for the purposes of paragraph (1) of Article 2 of that Order to be goods of any other class or description, and accordingly there shall be inserted in the appropriate place in the first column of Part I of the Second Annex to that Order a reference to Group XVIII (20) (ii) and (iii), and in the second column thereof opposite to that reference the definitions of the classes or descriptions of goods specified in the said Table.

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

5 Subsection (4) of section six of the Finance Act, 1938 (which relates to preferential rates of duty on Empire goods) shall apply to all goods of the classes and descriptions specified in sub-paragraph (ii) of the said Table, and the said subsection (4) and section five of the Import Duties Act, 1932, and section two of the Ottawa Agreements Act, 1932, (which exempt Empire goods from the general ad valorem duty and any additional duty) shall not apply to any goods of the classes and descriptions specified in sub-paragraph (iii) of the said Table.

6 (1) If, in the case of any exposed cinematograph film, it is shown to the satisfaction of the Commissioners either—

- (a) that the production of the film was organised by persons whose chief or only place of business was in the United Kingdom and the producer of the film and all the principal actors and artists employed for the production thereof, except five, or, if the total number of principal actors and artists is less than twenty, not less than three-quarters of the number of actors and artists, were British subjects and domiciled in the United Kingdom; or
- (b) that the Board of Trade have certified that the requirements of subsection (3) of section twenty-seven of the Cinematograph Films Act, 1927 (which prescribes what films shall be deemed to be British films for the purposes of that Act) or of subsection (1) of section twenty-five of the Cinematograph Films Act, 1938 (which prescribes what films shall be deemed to be British films for the purpose of registration thereof under Part III of that Act) have been complied with in relation to the film or in relation to any film of which the film forms part,

the duty of customs chargeable on the film shall be the duty, if any, with which it would have been chargeable if it were still

In this paragraph the expression " artist " includes the person working the photographic camera or other photographic apparatus by means of which the film is made.

(2) The goods specified in the Schedule to the Import Duties (Exemptions) (No. 4) Order, 1938, shall cease to be included in the First Schedule to the Import Duties Act, 1932, and subsection (3) of section ten of the Finance Act, 1934 (which enables the Treasury to make amendments consequential on a direction that goods shall be added to or cease to be included in the said First Schedule) shall have effect as if this sub-paragraph were contained in such a direction.

7 Where two or more equal lengths of exposed cinematograph film are imported together and it is shown to the satisfaction of the Commissioners that they all represent the same objects and are intended to be used as a set, each complementary to the others, in the production of a coloured picture, and are not suitable to be used separately, they shall be charged as a set with the duty that would be chargeable if one length only were being imported.

8 Where in the case of any exposed cinematograph film security is given to the satisfaction of the Commissioners—

- (a) that no duplicate will be made in the United Kingdom from the film or from any part thereof or from any duplicate of the film or of any part thereof except for the purpose of preparing a single version adapted for exhibition in the United Kingdom; and
- (b) that the film and any duplicate made from the film or from any part thereof will be destroyed or otherwise disposed of to the satisfaction of the Commissioners within such period as they may require,

the duty of customs chargeable on the film shall be at the rate of one penny per linear foot.

9 Where, in the case of any exposed cinematograph film, it is shown to the satisfaction of the Commissioners—

- (a) that customs duty was paid on the film at the rate of fivepence per linear foot;
- (b) that no duplicate has been made in the United Kingdom from the film or from any part thereof; and
- (c) that no duplicate of the film or of any part thereof has been imported into the United Kingdom,

there shall, if the film has been destroyed or otherwise disposed of to the satisfaction of the Commissioners, be allowed a rebate at the rate of fourpence per linear foot.

10 No drawback of duty paid at the rate of fivepence per linear foot on any piece of exposed cinematograph film shall be allowed under the Second Schedule to the Import Duties Act, 1932, if a duplicate thereof, or of any part thereof, has been imported into the United Kingdom, but the Commissioners may waive or modify this provision in any particular case, subject to such conditions as they may consider necessary for the security of the revenue.

11 For the purposes of this Schedule, and of section three of this Act—

- (a) all sheets or strips of unexposed sensitised film which are of a length not less than twelve feet shall, whatever their width, be treated as cinematograph film;
- (b) references to exposed cinematograph film shall include references to all such film whether it is positive or negative, whether it is developed or undeveloped and whether or not it contains or consists of sound track;
- (c) two lengths of exposed cinematograph film representing the same objects shall not be deemed not to be duplicates of each other by reason that one is positive and the other is negative, or by reason that the objects are represented on different scales and the dimensions of the lengths of film are correspondingly different, or where both lengths are intended for use in the production of a coloured picture, by reason of any differences ascribable to the nature of the processes involved in producing such a picture.

- 12 (1) The provisions of paragraphs 1, 2, 4 and 10 of this Schedule and the provisions inserted by this Schedule in the Import Duties (General) Order, 1935, may be revoked or varied as if they were contained in an order of the Treasury made under the Import Duties Act, 1932, on the recommendation of the Import Duties Advisory Committee.
- (2) The provisions of paragraphs 6 to 9 of this Schedule may be varied by an order of the Treasury made on the recommendation of the said Committee, and section nineteen of the Import Duties Act, 1932, except the proviso to subsection (5) thereof, shall apply to any such order as it applies to an order made by the Treasury under that Act.
- (3) The powers conferred by this paragraph to revoke or vary certain provisions of this Schedule shall be construed as including a power to revoke or vary any provision of paragraph 11 of this Schedule in so far as it relates to those provisions.

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

FOURTH SCHEDULE

Section 5.

DUTY ON LICENCES FOR PREMISES USED FOR, THE ADDITION OF PRIMING AND COLOURING SOLUTIONS TO BEER.

- 1 The duty payable on the grant of a licence in respect of premises which have not been licensed for the addition of solutions to beer for the preceding licence year or any part thereof shall be twenty-five pounds, or, in a case where the licence is granted for part of a licence year, a sum which bears the same proportion to twenty-five pounds as the length of that part of the year bears to twelve months.
- 2 The duty payable on the grant of a licence in respect of premises which have been so licensed for the preceding licence year or any part thereof, shall be in accordance with the following scale:—

Where the number of bulk barrels of solutions received for use at the premises in the preceding licence year did not exceed twenty-five		£25
Where the number of bulk barrels of solutions so received exceeded twenty-five—		
For the first twenty-five barrels		£25
For every further twenty-five barrels or fraction of twenty-five barrels		£5

Provided that where the premises have been so licensed for part only of the preceding licence year, the number of bulk barrels of solutions received for use at the premises in that year shall, for the purpose of the foregoing scale, be taken to be a number which bears the same proportion to the number so received in the period for which the licence was in force as twelve months bears to the length of that period.

- 3 Section three of the Finance Act, 1915 (which provides for the repayment of duty where a business is discontinued) shall apply to any such licence as aforesaid as it applies to the licences mentioned in that section.
- 4 For the purpose of this Schedule the following expressions have the meanings hereby respectively assigned to them—
" bulk barrel " means a quantity of thirty-six gallons;
" solutions " means priming and colouring solutions.

FIFTH SCHEDULE

Section 6.

REDUCED RATES OF ENTERTAINMENTS DUTY IN CASE OF CERTAIN ENTERTAINMENTS.

Amount of Payment.		Duty.
Where the amount of the payment, excluding the amount of duty—		

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

Amount of Payment.	Duty.
Exceeds 6d. and does not exceed 1s. 2 ½ d	One halfpenny.
Exceeds 1s. 2 ½ d. and does not exceed 1s. 5d	One penny.
Exceeds 1s. 5d. and does not exceed 1s. 7 ½ d	Three halfpence.
Exceeds 1s. 7 ½ d and does not exceed 1s. 10d	Two pence.
Exceeds 1s. 10d	Two pence for the first 1s. 10d. and one penny for every 5d. or part of 5d. over 1s. 10d.

SIXTH SCHEDULE

Section 8.

DUTIES ON CERTAIN PRESERVED FRUITS.

<i>Class or description of goods.</i>	<i>Rate of duty.</i>
The following fruit salad preserved in syrup, that is to say, mixtures of fruit (but not including mixed fruit pulp) containing not less than four separate descriptions of fruit, in which each of at least four descriptions constitutes at least eight per cent., and no one description represents more than fifty per cent., by weight, of all the fruit in the mixture (excluding syrup)	5s. 6d. per cwt.
Loganberries preserved in syrup	4s. per cwt.
Pineapples preserved in syrup	5s. per cwt.

SEVENTH SCHEDULE

Section 8.

UNITED KINGDOM—INDIA TRADE AGREEMENT.

His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland and the Government of India, having resolved, so far as the relations between them are concerned, to replace by the present Agreement the Agreement concluded between them at Ottawa on the 20th August, 1932, have agreed upon the following provisions :—

ARTICLE 1.

His Majesty's Government in the United Kingdom undertake that goods grown, produced or manufactured in India and consigned from any part of the British Empire which are now free of duty shall continue to enjoy entry free of customs duty into the United Kingdom.

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

ARTICLE 2.

His Majesty's Government in the United Kingdom undertake in respect of the goods the growth, produce or manufacture of India enumerated in Schedule 1 to this Agreement, that the difference between the rates of the duties of customs on such goods on importation into the United Kingdom when consigned from any part of the British Empire and the rates upon similar goods the growth, produce or manufacture of any foreign country shall not be less than the rates set out in that schedule.

ARTICLE 3.

His Majesty's Government in the United Kingdom undertake that, in the event of any greater preference than the preference accorded by this Agreement being accorded in respect of goods of the kinds specified in Schedule 1 the growth, produce or manufacture of any other part of the British Empire, such greater preference will be extended to similar goods grown, produced or manufactured in India and consigned from any part of the British Empire.

ARTICLE 4.

His Majesty's Government in the United Kingdom undertake to maintain until the 19th August, 1942, for tobacco grown, produced or manufactured in India and consigned from any part of the British Empire the existing margin of preference over foreign tobacco, so long, however, as the duty on foreign unmanufactured tobacco does not fall below 2s. 0 ½ d. per pound, in which event the margin of preference shall be equivalent to the full duty.

ARTICLE 5.

His Majesty's Government in the United Kingdom recognise the importance attached by the Government of India to the development of the use of unmanufactured Indian tobacco by tobacco manufacturers in the United Kingdom, and undertake that they will co-operate in any further measures that may appear necessary and practicable in order to facilitate the marketing of such tobacco in the United Kingdom.

ARTICLE 6.

1. His Majesty's Government in the United Kingdom undertake that on and after the 15th August, 1939, drawback of duty shall not be allowed in the case of goods other than linseed oil, unmixed, manufactured in the United Kingdom and exported or shipped as stores therefrom in respect of linseed used in the manufacture of such goods. For the purposes of this Article " linseed oil " includes linseed oil refined or heat-treated or both refined and heat-treated, and " unmixed " means not mixed with any substances other than driers.
2. His Majesty's Government in the United Kingdom undertake that on and after the 15th August, 1939, drawback shall not be allowed in the case of ground-nut oil (hydrogenated or not) manufactured in the United Kingdom and exported or shipped as stores therefrom in respect of ground-nuts used in the manufacture of such oil.

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

ARTICLE 7.

His Majesty's Government in the United Kingdom undertake that the goods specified in Schedule II to this Agreement, of whatever origin and from whatever place arriving, shall be admitted into the United Kingdom free of customs duty.

ARTICLE 8.

The Governments of the non-self-governing Colonies, the Protectorates and Protected States will accord to India any preference which may for the time being be accorded to any other part of the British Empire, and the Governments of the Colonies and Protected States shown in Schedule III to this Agreement will accord to India preferences on the commodities and at the rates shown therein.

Provided that the operation of the first paragraph of this Article shall not extend to any preferences accorded by Northern Rhodesia to the Union of South Africa, Southern Rhodesia and the High Commission Territories in South Africa.

Provided also that in the case of Ceylon the first paragraph of this Article shall apply only so far as is consistent with the terms of Article 13 of this Agreement.

ARTICLE 9.

The Government of India undertake, in respect of goods the growth, produce or manufacture of the United Kingdom of the kinds specified in Schedule IV to this Agreement which comply with the laws and statutory regulations for the time being in force defining Empire goods for the purpose of customs duties, that the difference between the rates of customs duties on such goods on importation into India and the rates upon similar goods the growth, produce or manufacture of any foreign country shall not be less than the margins set out in that schedule.

ARTICLE 10.

1. In this Article :—

The expression " cotton year " means a year beginning on the 1st January.

The expression " cotton piece goods year " means a year beginning on the 1st April.

A cotton piece goods year and the cotton year in which that cotton piece goods year begins are referred to as " corresponding "; and the expression " the following cotton piece goods year " means in relation to a cotton year the cotton piece goods year beginning on the 1st April next after the end of that cotton year.

The word " yard " means a linear yard.

The word " bale " means the weight of lint cotton contained in the standard Indian bale of gross weight 400 lb. and nett weight 392 lb.

The expression " United Kingdom cotton piece goods " means fabrics manufactured in the United Kingdom of the kinds which, at the date of the signature of this Agreement, were assessable to duty on import into British India under item 48 (3) or item 48 (9) of the First Schedule to the Indian Tariff Act, 1934, at the rates applicable to fabrics of British manufacture.

The expression " Indian raw cotton " means raw cotton grown in India.

2. His Majesty's Government in the United Kingdom undertake that they will continue to use all possible efforts in cooperation with commercial interests to stimulate the

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

consumption of Indian cotton in all possible ways, including technical research, commercial investigation, market liaison and industrial propaganda. They have taken note that it is the desire of cotton growers in India that as much as possible of their production of short and fair staple varieties of cotton should be absorbed in the United Kingdom. They have also taken note, and invite the Government of India to take note, that the Lancashire Indian Cotton Committee, set up by His Majesty's Government in the United Kingdom to stimulate the consumption of Indian cotton, have expressed their sympathy with that desire and their intention to take all practicable steps to assist in its fulfilment. It is recognised that the fulfilment of the foregoing objectives largely depends on the continued pursuit by all interests concerned in India of the policy of improving the quality and staple of Indian cotton exported to the United Kingdom by all practicable means.

3. From the entry into force of this Agreement the customs duties charged on imports into India of United Kingdom cotton piece goods shall not, save as provided in paragraphs 5 and 7, exceed the following rates, hereinafter referred to as the basic rates, namely :—
 - (a) Printed goods—17 ½ per cent. ad valorem;
 - (b) Grey goods—15 per cent. ad valorem, or 2 annas 7 ½ pies per lb., whichever is the higher;
 - (c) Other goods—15 per cent. ad valorem.
4. If in any cotton piece goods year the total quantity of United Kingdom cotton piece goods imported into India does not exceed 350 million yards, the duties charged on imports of such goods into India after the end of that year, and until the end of any cotton piece goods year in which the total quantity of such goods imported into India exceeds 425 million yards, shall not exceed the basic rates reduced by 2 ½ per cent. ad, valorem, and a proportionate reduction shall apply to the alternative specific duty on United Kingdom grey cotton piece goods.
5. If in any cotton piece goods year the total quantity of United Kingdom cotton piece goods imported into India exceeds 500 million yards, the duties charged on imports of such goods into India in the following cotton piece goods year may be increased above the basic rates to such rates as may be deemed necessary for the purpose of restricting imports of such goods during the year to the maximum yardage figure for the preceding cotton piece goods year, but shall be reduced to the basic rates (or, where the provisions of paragraph 4 are applicable, in accordance with those provisions) after the end of any cotton piece goods year in which the total quantity of such imports into India has not exceeded 425 million yards.

The expression " maximum yardage figure " for any cotton piece goods year means 500 million yards, or, for a year corresponding to a cotton year in which there is a deficiency, as defined in paragraph 6, 500 million yards reduced by the appropriate figure in accordance with the provisions of paragraph 6.

6. For the purpose of determining the appropriate rates of duty to be charged on United Kingdom cotton piece goods under this Article, the quantity of United Kingdom cotton piece goods actually imported into India in any cotton piece goods year corresponding to a cotton year in which there is a deficiency shall be deemed to have been increased by 25 million yards for every 50,000 bales of the deficiency or for any part thereof, provided that the deficiency does not exceed 100,000 bales in the cotton year ending 31st December, 1939, and 150,000 bales in any subsequent cotton year.

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The word " deficiency " means the amount by which imports of Indian raw cotton into the United Kingdom fall below the following quantities :—

	<i>Bales.</i>
For the cotton year ending 31st December, 1939	500,000
For the cotton year ending 31st December, 1940	550,000
For every subsequent cotton year	600,000

7. Notwithstanding anything contained in the preceding paragraphs, if the imports of Indian raw cotton into the United Kingdom fall below 400,000 bales in the cotton year ending 31st December, 1939, or in the cotton year ending 31st December, 1940, and 450,000 bales in any other cotton year, the duties charged on imports of United Kingdom cotton piece goods into India in the following cotton piece goods year may be increased above the basic rates to such extent as the Government of India may, after consultation with His Majesty's Government in the United Kingdom, determine.
8. (1) If in any cotton year the quantity of Indian raw cotton imported into the United Kingdom exceeds 750,000 bales, the rate of duty charged on United Kingdom printed cotton piece goods imported into India in the following cotton piece goods year shall not exceed the duty charged in that year on other United Kingdom cotton piece goods imported into India.
(2) If in any cotton piece goods year in which a reduction in the duty on United Kingdom printed cotton piece goods takes effect under the provisions of this paragraph, or in any following cotton piece goods year in which the same reduction remains in force, the quantity of United Kingdom printed cotton piece goods imported into India is in excess of the quantity of such goods so imported in the cotton piece goods year immediately preceding that in which the said reduction first took effect, such excess up to a maximum quantity of 25 million yards shall not be taken into account for the purposes of determining whether or not the figure of 425 million yards specified in paragraph 4 of this Article or the figure of 500 million yards specified in paragraph 5 of this Article has been exceeded.
9. For the purpose of calculating imports in any cotton year or cotton piece goods year under this Article there shall be deducted the amount of re-exports from the United Kingdom of Indian raw cotton in that year and the amount of re-exports from India of United Kingdom cotton piece goods in that year.
10. Any alteration of the duties charged on United Kingdom cotton piece goods imported into India which falls due to be made under the provisions of this Article shall come into effect not later than the 17th April of the cotton piece goods year to which it relates, and the relative provisions of this Article shall be deemed to have been duly fulfilled if such alteration takes effect on or before that date.

ARTICLE 11.

The Government of India undertake to accord to the non-self-governing Colonies, the Protectorates and Protected States, and the Mandated Territories of Tanganyika, the Cameroons under British Mandate and Togoland under British Mandate, preferences on the commodities

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which comply with the laws and statutory regulations for the time being in force defining Empire goods for the purpose of customs duties and at the rates shown in Schedule V to this Agreement, and also any preferences for the time being accorded to any part of the British Empire other than Burma if His Majesty's Government in the United Kingdom so request.

Provided that the Government of India shall not be bound to accord any preference to Ceylon except as provided in Article 13 of this Agreement.

Provided further that the Government of India shall not be bound to continue to accord any preferences to any Colony, Protectorate or Protected State, which, not being precluded by international obligations or, in the case of Nigeria, by the declared policy of His Majesty's Government in the United Kingdom from according preferences, either (i) accords to India no preferences or (ii) accords to some other part of the British Empire (in the case of Northern Rhodesia, excepting the Union of South Africa, Southern Rhodesia and the High Commission Territories in South Africa) preferences not accorded to India.

ARTICLE 12.

The Government of India undertake to accord to goods the growth, produce or manufacture of any of the non-self-governing Colonies, the Protectorates and Protected States, and the Mandated Territories of Tanganyika, the Cameroons under British Mandate, Togoland under British Mandate and Palestine, treatment not less favourable than that accorded to similar goods the growth, produce or manufacture of any foreign country.

ARTICLE 13.

1. The Government of India will, as soon as may be after the conclusion of this Agreement, enter into negotiations with the Government of Ceylon regarding the trade relations between India and Ceylon.
2. The Government of Ceylon will continue in force during the interim period the preferences at present accorded to India as set out in Schedule III to this Agreement, and the Government of India will continue to accord during the interim period :—
 - (a) to Ceylon the preferences to be accorded under Article 11; and
 - (b) to Ceylon and to the Colonies, Protectorates, Protected States and Mandated Territories to which preferences are to be accorded under Article 11, preferences at the rates shown in Schedule VI to this Agreement on the commodities named in that schedule which comply with the laws and statutory regulations for the time being in force defining Empire goods for the purpose of customs duties.
3. In this Article the expression " the interim period " means a period ending on the date on which any Agreement between the Government of India and the Government of Ceylon resulting from the negotiations heretofore mentioned comes into effect, or a period of six months from the date on which the present Agreement comes into effect, whichever is the shorter. Provided that, if it appears likely that the said negotiations will be protracted beyond the said period of six months, His Majesty's Government in the United Kingdom and the Government of India shall consider in consultation whether the interim period should be extended.

ARTICLE 14.

His Majesty's Government in the United Kingdom undertake to extend to India any tariff preferences which are, or may be, accorded to Canada, the Commonwealth of Australia, New

Zealand, the Union of South Africa, Eire, Newfoundland, Southern Rhodesia or Burma, and the Government of India undertake to extend to the United Kingdom any tariff preferences which are, or may be, accorded to Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa, Eire, Newfoundland or Southern Rhodesia.

ARTICLE 15.

In the event of circumstances arising which, in the judgment of His Majesty's Government in the United Kingdom or of the Government of India, as the case may be, necessitate a variation in the terms of this Agreement, the proposal to vary its terms shall be the subject of consultation between the two Governments.

ARTICLE 16.

This Agreement shall come into force on a date to be mutually agreed between the two Governments. On the coming into force of the present Agreement, the Agreement concluded between His Majesty's Government in the United Kingdom and the Government of India at Ottawa on the 20th August, 1932, shall cease to have effect between the United Kingdom and India. Pending the coming into force of the present Agreement, the two Governments will apply its provisions as far as may be possible. The present Agreement shall continue in force until the 31st March, 1942. Unless six months before the 31st March, 1942, notice of termination shall have been given by either Government to the other, the Agreement shall remain in force until the expiry of six months from the date on which a notice of termination is given.

Done in duplicate, at London, this twentieth day of March, 1939.

Signed on behalf of His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland :

OLIVER STANLEY.

Signed on behalf of the Government of India :

FIROZ KHAN NOON.

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

SCHEDULE I

(See Articles 2 and 3)

(a) Preferences at a rate of 10 per cent. *ad valorem*—

Bones.

Castor seed.

Coir yarn.

Cotton yarns, unbleached, up to No. 40 count.

Goatskins, raw, dried, salted or pickled, but not further treated, of varieties supplied by India to the United Kingdom.

Gram or chick pea.

Ground-nuts.

Hardwoods, hewn or sawn, the following—

Indian hardwoods—

Tectona grandis (teak).*Dipterocarpus* species (gurjun).*Terminalia crenulata* (also known as *Terminalia tomentosa*) (laurel).*Terminalia bialata* (silver greywood and white chuglam).*Dalbergia latifolia* (rosewood or Bombay blackwood).*Diospyros* species (ebony, including Andaman marble-wood).*Pterocarpus dalbergioides* (Andaman padauk).*Chloroxylon swietenia* (satinwood).*Canarium euphyttum* (white dhup).*Santalum album* (sandalwood).*Albizzia lebbek* (kokko).

Similar foreign hardwoods—

Tectona grandis (teak).*Chlorophora excelsa* (iroko or "African teak").*Hopea*, *Shorea*, *Parashorea* and *Pentacme* species (yakal, bangkirai and lauan).*Dipterocarpus* species (apitong, bagac, keruing, yang and dau).*Dryobalanops* species (kapur, kamfer or Borneo camphor-wood).*Terminalia crenulata* (also known as *Terminalia tomentosa*) (laurel).*Terminalia superba* (fraké, limba, limbo or noyer du Mayombe).*Dalbergia nigra* (Brazilian rosewood).*Diospyros* species (ebony).*Pterocarpus* species (padauk).*Zanihoxylum flavwm* (satinwood).*anarium* species.*Santalum* species (sandalwood).

Leather, undressed—hides, other than sole leather.

Leather, undressed—skins.

Linseed.

Magnesite.

Oil-seed cake and meal.

Paraffin wax.

Sandalwood oil.

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

- Soya beans.
- Spices, the following—
Pepper, ginger and cardamoms.
- (b) Preferences at a rate of 15 per cent. *ad valorem*—
Castor oil, linseed oil, coconut oil, ground-nut oil, rape oil and sesamum oil.
Granite setts and curbs.
Leather, dressed—
(i) Box and willow calf, box and willow sides, and other chrome tanned calf, kip and hide leather, but not patent leather or machinery belting.
(ii) Reptile leather of the following descriptions—
Snake, lizard, crocodile and alligator skins, not shaped or subjected to any process other than dressing or dressing and colouring.
- Manufactures wholly of jute, the following—
Cordage, cables, ropes and twine (including polished, starched or glazed singles, and all multiples).
- (c) Preferences at a rate of 20 per cent. *ad valorem*—
Coir mats and matting.
Manufactures wholly of cotton, the following—
Tissues and like materials.
Household goods and similar articles for non-domestic use.
Blankets, shawls, coverlets and travelling rugs.
Handkerchiefs.
Manufactures wholly of jute, the following—
(i) Tissues not made up (not including rags).
(ii) Sacks and bags of a shape similar to sacks.
- (d) Preference at a specific rate of 1s. per cwt.—
Magnesium chloride.
- (e) Preference at a specific rate of 9s. 4d. per cwt.—
Coffee.
- (f) Preference at a specific rate of 2d. per lb.—
Tea.
- (g) Preferences at a specific rate of 2/3 d. per lb.—
Rice, husked, including cargo rice and cleaned rice whole, but not including broken rice.
Rice in the husk.
- (h) Preferences at the undermentioned rates—
Carpets, carpeting and floor rugs, wholly or partly of wool, and not containing any silk or artificial silk—
- | | |
|------------------------|---|
| (i) Hand made, knotted | 4s. 6d. per sq. yard, exclusive of fringes. |
| (ii) Other kinds | 20 per cent. <i>ad valorem</i> . |

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

SCHEDULE II

(See Article 7)

Shellac, seed lac, stick lac, and other varieties of these lacs.

Jute, raw.

Myrabolams.

Mica slabs and splittings.

Hemp of the variety *crotalaria juncea*, not further dressed after scutching or decorticating;
tow of such variety of hemp.

SCHEDULE III

(See Articles 8 and 13)

(1) CEYLON.

- (a) At a rate of not less than 5 per cent. *ad valorem*—
Cotton piece goods.
Fruit, dried or otherwise preserved without sugar (except canned fruit and currants, dates and raisins).
Tanks and drums of iron and steel, black painted or galvanised.
- (b) At a rate of not less than 10 per cent. *ad valorem*—
Cotton yarn.
Fruit, fresh, dried or otherwise preserved, except currants and except those fruits to which a preference of not less than 5 per cent. *ad valorem* applies under Section (1) (a) of this schedule.
Iron and steel, including machinery other than oil pressing and refining, but excluding the following :—
Tea chest fittings.
Sheets and circles declared to be imported for the purpose of manufacturing drums for the export of Ceylon produce.
Plain plates and sheets, flat or corrugated, not fabricated.
Expanded metal and other materials for reinforcement, not fabricated.
Rolled angles, bulbs, channels, shapes and sections, H iron, girders, tees, beams, joists, pillars and rails, not fabricated.
Bars, rods and slabs, including blister, jumper and tool steel, not fabricated.
Staples and wire nails.
Unwrought metal (including pig iron).
Tanks and drums, black painted or galvanised.
Vegetables, preserved or tinned, but not dried.
Pig lead, except lead sheets, tea lead or foil.
Teak and other hardwoods (excluding manufactures thereof).
Perfumery, cosmetics, powder and toilet preparations (except perfumed spirits).
Apparel of woollen, silk and artificial silk and mixed material.
Boots and shoes (other than canvas, rubber-soled).
Woollen carpets and rugs.
- (c) At specific rates—
- | | |
|--|---|
| Vegetables, fresh or dried (including fresh chillies, but excluding onions, potatoes and garlic) | at the rate of 1 rupee per cwt. |
| Beans | at the rate of 50 cents per cwt. |
| Tea. | at the rate of 12 ½ cents per lb. |
| Beedies | at the rate of 50 cents per lb. gross weight. |
| Cigars | at the rate of 75 cents per lb. |
| Snuff | at the rate of 50 cents per lb. |
| Hooka and beedy tobacco | at the rate of 30 cents per lb. |

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

Cigarettes	<p>at the rates per lb. specified below as against cigarettes manufactured in foreign countries :—</p> <p>(i) Manufactured in the British Empire from Empire-grown tobacco—</p> <table style="border-collapse: collapse; margin-left: 20px;"> <tr> <td style="border-right: 1px solid black; padding: 2px;">(a) Sold wholesale at not more than Rs. 11 per lb. nett</td> <td style="padding: 2px;">Rs. 2</td> </tr> <tr> <td style="border-right: 1px solid black; padding: 2px;">(b) Sold wholesale at more than Rs. 11 per lb. nett</td> <td style="padding: 2px;">Re. 1</td> </tr> </table> <p>(ii) Manufactured in the British Empire from foreign tobacco—</p> <table style="border-collapse: collapse; margin-left: 20px;"> <tr> <td style="border-right: 1px solid black; padding: 2px;">(a) Sold wholesale at not more than Rs. 11 per lb. nett</td> <td style="padding: 2px;">Re. 1-50</td> </tr> <tr> <td style="border-right: 1px solid black; padding: 2px;">(b) Sold wholesale at more than Rs. 11 per lb. nett</td> <td style="padding: 2px;">50 cents.</td> </tr> </table> <p>(iii) Manufactured in the British Empire from Empire-grown and foreign tobacco at rates intermediate between (i) and (ii) above according to the certified proportion of Empire and foreign leaf content.</p> <p>Other manufactured tobacco - at the rate of 75 cents per lb.</p>	(a) Sold wholesale at not more than Rs. 11 per lb. nett	Rs. 2	(b) Sold wholesale at more than Rs. 11 per lb. nett	Re. 1	(a) Sold wholesale at not more than Rs. 11 per lb. nett	Re. 1-50	(b) Sold wholesale at more than Rs. 11 per lb. nett	50 cents.
(a) Sold wholesale at not more than Rs. 11 per lb. nett	Rs. 2								
(b) Sold wholesale at more than Rs. 11 per lb. nett	Re. 1								
(a) Sold wholesale at not more than Rs. 11 per lb. nett	Re. 1-50								
(b) Sold wholesale at more than Rs. 11 per lb. nett	50 cents.								

(2) *THE GOVERNMENTS OF MALAYA OTHER THAN THE STRAITS SETTLEMENTS.*

(a) At a rate of not less than 10 per cent. *ad valorem*—

Ground-nuts.

Cotton piece goods.

And, so long as it is consistent with the tariff policies of the Governments to impose a customs duty on the commodity in question—

Perfumery.

(b) At 2 cents per lb.—

So long as it is consistent with the tariff policies of the Governments to impose customs duties on the commodities in question—

Ground-nut oil (Kachang oil).

Gingelly oil.

(3) *THE GOVERNMENTS OF MALAYA INCLUDING THE STRAITS SETTLEMENTS.*

At 10 cents per lb.—

Unmanufactured tobacco.

SCHEDULE IV

(See Article 9)

Tariff Item.	Article.	Margin of preference.
22 (5) (b)	Drugs and medicines containing spirit— (i) entered in such a manner as to indicate that the strength is not to be tested. (ii) not so entered	Rs. 4 per Imperial gallon. Rs. 3 per Imperial gallon of the strength of London proof.
25 (4)	Cement not otherwise specified -	10 per cent.
Ex 28	Chemicals, drugs and medicines, all sorts not otherwise specified (except hydrochloric, nitric, sulphuric, tartaric and other acids, anhydrous ammonia, potassium bichromate and other potassium compounds, sodium bichromate, sodium cyanide and sodium carbonate).	10 per cent.
30	Paints, colours and painters' materials, all sorts not otherwise specified, including paints, solutions and compositions containing dangerous petroleum within the meaning of the Indian Petroleum Act, 1934.	10 per cent.
30 (2)	Paints, colours and painters' materials, the following, namely :— (a) Red lead, genuine dry, genuine moist and reduced moist. (b) White lead, genuine dry. (c) Zinc white, genuine dry. (d) Paints, other sorts, coloured, moist	10 per cent.
49(1)	Fents, being bona fide remnants of piece goods or other fabrics.	10 per cent.
Ex 49 (4)	Woollen carpets, floor rugs, shawls and other manufactures of wool, not otherwise specified,	10 per cent.

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

Tariff Item.	Article.	Margin of preference.
	including felt but excluding woollen waste and rags.	
63 (14)	Iron or steel hoops and strips -	10 per cent.
63 (24)	Iron or steel barbed or stranded wire and wire rope.	10 per cent.
64	Copper, wrought, and manufactures of copper, all sorts not otherwise specified.	10 per cent.
72 (5)	Domestic refrigerators	10 per cent.
Ex 72 (6)	Sewing and knitting machines and parts thereof.	10 per cent.
Ex 73	Electrical instruments, apparatus and appliances, not otherwise specified, excluding telegraphic and telephonic (except batteries, accumulators and electromedical apparatus).	10 per cent.
73 (1)	The following electrical instruments, apparatus and appliances, namely :— Electrical control gear and transmission gear, namely, switches (excluding switchboards), fuses and current-breaking devices of all sorts and descriptions, designed for use in circuits of less than ten amperes and at a pressure not exceeding 250 volts; and regulators for use with motors designed to consume less than 187 watts; bare or insulated copper wires and cables, any one core of which, not being one specially designed as a pilot core, has a sectional area of less than one-eightieth part of a square inch, and wires and cables of other metals of not	10 per cent.

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

Tariff Item.	Article.	Margin of preference.
	more than equivalent conductivity; and line insulators, including also cleats, connectors, leading-in tubes and the like, of types and sizes such as are ordinarily used in connection with transmission of power for other than industrial purposes, and the fittings thereof but excluding electrical earthenware and porcelain otherwise specified.	
73 (4)	Wireless reception instruments and apparatus and component parts thereof, including all electric valves, amplifiers and loud speakers which are not specially designed for purposes other than wireless reception or are not original parts of and imported along with instruments or apparatus so designed.	10 per cent.
75 (1)	Motor cars including taxi cabs and articles (other than rubber tyres and tubes) adapted for use as parts and accessories thereof.	7½ per cent.
75 (2)	Motor cycles and motor scooters and articles (other than rubber tyres and tubes) adapted for use as parts and accessories thereof.	7½ per cent.
75 (3)	Motor omnibuses; chassis of motor omnibuses, motor vans and motor lorries; and parts of mechanically propelled vehicles and accessories not otherwise specified, excluding rubber tyres and tubes.	7½ per cent.
Ex 75 (4)	Cycles (other than motor cycles) imported entire or in sections and parts	10 per cent.

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

Tariff Item.	Article.	Margin of preference.
Ex 77	and accessories thereof, excluding rubber tyres and tubes. Instruments, apparatus and appliances other than electrical, all sorts not otherwise specified, including photographic, but excluding scientific, philosophical and surgical.	10 per cent.

SCHEDULE V

(See Article 11)

(a) Preferences at a rate of not less than 10 per cent. *ad valorem*—

- Asphalt.
- Soda ash, including calcined, natural soda, and manufactured sesquicarbonates.
- Gum arabic.
- Gum benjamin, ras and cowrie.
- Gum dammer.
- Dammer batu, unrefined.
- Rosin.
- Cutch.
- Gambier, all sorts.
- Coconut oil.
- Fresh vegetables.
- Vegetables, dried, salted or preserved.
- Fruit and vegetables, canned and bottled.
- Fruit juices.
- Sisal and aloe fibre.
- Ivory, unmanufactured.
- Sago (but not sago flour).
- Tapioca and tapioca flour.
- Artificial teeth.
- And so long as it is consistent with India's tariff policy to impose customs duties on the commodities in question—
 - Fresh fruits (other than coconuts).
 - Dried, salted or preserved fruits.

(b) Preferences at a rate of 7 ½ per cent. *ad valorem*—

- Betelnuts.
- Unground spices (other than cardamoms).
- Cardamoms, cassia, cinnamon, cloves, nutmegs and pepper—ground.
- And, so far as preferences are granted to the United Kingdom, drugs and medicines and apparel of all kinds.

(c) Preferences at specific rates—

Bitters	at the rate of Rs. 3-12 per gallon.
Coffee	at the rate of 1 anna per lb.
Rum	at the rate of Rs. 3-12 per proof gallon.
Unmanufactured tobacco at the rate of 8 annas per lb.	

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

SCHEDULE VI

(See Article 13)

(a) Preferences at a rate of not less than 10 per cent. *ad valorem*—

Citronella oil.

Cinnamon oil.

Cinnamon-leaf oil.

Coconuts, husked, unhusked and other kinds, copra or coconut kernel, coir fibre, coir yarn, coir mats and matting.

Fish, dry, unsalted.

Oil seeds (other than essential).

Vegetable oils (other than essential).

Plumbago.

(b) Preference at a rate of 7 ½ per cent. *ad valorem*—

Cardamoms, unground.

(c) Preference at specific rate—

Tea

| at the rate of 2 annas per lb. |

LETTER NO. 1.

LETTER FROM THE INDIAN SIGNATORY ON THE SUBJECT OF ZINC.

London,

March 20, 1939.

SIR,

With reference to Article 15 of the Trade Agreement signed this day, I have the honour to inform you that the Government of India, having taken note of the statements of His Majesty's Government in the United Kingdom in the course of the recent discussions (1) that it is essential to the national security that the production of the zinc smelting industry in the United Kingdom should be maintained at a satisfactory level; and (2) that His Majesty's Government in the United Kingdom will consult the Government of India before taking any decision to impose a customs duty on imports of zinc from India into the United Kingdom; agree that it will be open to His Majesty's Government in the United Kingdom, after consultation with the Government of India, and notwithstanding the provisions of Article 1 of the Trade Agreement, to impose a customs duty on imports of zinc produced or manufactured in India.

It is understood that no customs duty will be imposed on zinc from India which is not equally applicable to zinc from other oversea Empire sources.

I have, etc.,

FIROZ KHAN NOON.

THE RIGHT HON. OLIVER STANLEY, M.C., M.P.,
President of the Board of Trade.

LETTER No. 2.

LETTER FROM THE INDIAN SIGNATORY ON THE SUBJECT OF PIG IRON.

London,

March 20, 1939.

SIR,

With reference to Article 15 of the Trade Agreement signed this day, I have the honour to inform you that the Government of India having taken note of the statements of His Majesty's Government in the United Kingdom in the course of the recent discussions (1) that, bearing in mind the provisions of Article 6 of the Agreement supplementary to the Ottawa Trade Agreement concluded between the two Governments on the 9th January, 1935, His Majesty's Government in the United Kingdom desire to reserve the right to impose a customs duty on imports of pig iron from India if after the expiry on the 31st March, 1941, of the Iron and Steel Protection Act, 1934, duties are applied to articles of iron and steel imported into India substantially less favourable to the United Kingdom than those for which that Act provides; and (2) that His Majesty's Government in the United Kingdom will consult the Government of India before taking any decision to impose such a customs duty; agree that it will be open to His Majesty's Government in the United Kingdom, after consultation with the Government of India, and notwithstanding the provisions of Article 1 of the Trade Agreement, to impose after the 31st March, 1941, a customs duty on imports of pig iron produced or manufactured in India if duties are applied to articles of iron and steel imported into India substantially less favourable to the United Kingdom than those for which the above mentioned Act provides, without prejudice, however, to the provisions of Section 4 (1) of the Indian Tariff Act, 1934.

It is understood that no customs duty will be imposed on pig iron from India which is not equally applicable to pig iron from other oversea Empire sources.

I have, etc.,

FIROZ KHAN NOON.

THE RIGHT HON. OLIVER STANLEY, M.C., M.P.,
President of the Board of Trade..

LETTER No. 3.

LETTER FROM THE INDIAN SIGNATORY ON THE QUESTION
OF THE EXTENSION TO OTHER COLONIAL DEPENDENCIES
OF PREFERENCES PRIMARILY OF INTEREST TO CEYLON.

London,

March 20, 1939.

SIR,

With reference to Article 13 of the Trade Agreement signed this day, I have the honour to inform you that the Government of India have taken note of the statement of His Majesty's Government in the United Kingdom in the course of the recent discussions that, in agreeing that the preferences included in Schedule VI to the Agreement are principally of interest to Ceylon, they are nevertheless anxious that the claims of other Colonial dependencies to receive any of these preferences should be sympathetically considered by the Government of India if the proposed negotiations between that Government and the Government of Ceylon do not result in the extension of such preferences to those dependencies for the duration of the Agreement concluded this day. I am authorised to state that the Government of India will give sympathetic consideration to any requests which His Majesty's Government in the United Kingdom may make in regard to such preferences on behalf of Colonial dependencies other than Ceylon.

I have, etc.,

FIROZ KHAN NOON.

THE RIGHT HON. OLIVER STANLEY, M.C., M.P.,
President of the Board of Trade.

EIGHTH SCHEDULE

Section 9.

AMENDED RATES OF DUTY IN THE CASE OF CERTAIN MECHANICALLY PROPELLED VEHICLES.

PART I

PARAGRAPH TO BE SUBSTITUTED FOR PARAGRAPH 1 OF
THE SECOND SCHEDULE TO THE FINANCE ACT, 1920.

Description of vehicle.	Rate of duty.		
	£	s.	d.
1. Cycles (including motor scooters and cycles with an attachment for propelling them by mechanical power)			

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

Description of vehicle.	Rate of duty.		
	£	s.	d.
not exceeding 8 cwt. in weight unladen—			
(a) Bicycles—			
Where the cylinder capacity of the engine thereof—			
(i) does not exceed 150 cubic centimetres		17	6
(ii) exceeds 150 cubic centimetres but does not exceed 250 cubic centimetres	1	17	6
(iii) exceeds 250 cubic centimetres—			
In a case where the bicycle is one in respect of which a licence was taken out before the first day of January, nineteen hundred and thirty-three, and does not exceed 224 lbs. in weight unladen	1	17	6
In any other case	3	15	0
(b) Bicycles, if used for drawing a trailer or sidecar	1	5	0
(c) Tricycles—			
Neither constructed nor adapted for use nor used for the carriage of a driver or a passenger	2	0	0
Other tricycles	5	0	0

The duty chargeable under sub-paragraph (b) of this paragraph in respect of any bicycle shall be chargeable in addition to the duty chargeable on the bicycle under sub-paragraph (a) of this paragraph.

PART IIPARAGRAPH TO BE SUBSTITUTED FOR PARAGRAPH 6 OF
THE SECOND SCHEDULE TO THE FINANCE ACT, 1920.

Description of vehicle.	Rate of duty.		
	£	s.	d.
6. Any vehicles other than those charged with duty under the foregoing provisions of this Schedule :—			
Electrically propelled vehicles	7	10	0
Other vehicles—			
Not exceeding 6 horse-power	7	10	0
Exceeding 6 horse-power—			
For each unit or part of a unit of horsepower	1	5	0

NINTH SCHEDULE

Section 23.

COMPUTATION OF PROFIT AND CAPITAL FOR PURPOSES OF ARMAMENT PROFITS DUTY.

PART I

ADAPTATION OF INCOME TAX PROVISIONS AS TO COMPUTATION OF PROFIT.

- 1 The profits shall be taken to be the actual profits arising in the year or chargeable accounting period, and the principles of computing profits by reference to any other period and of allowing losses sustained in any other period to be carried forward shall not be followed.
- 2 There may be deducted in respect of any such year or chargeable accounting period a sum (ascertained on the like basis as the amount of a deduction for wear and tear is ascertained under Rule 6 of the Rules applicable to Cases I and II of Schedule D) which represents the diminution in value by reason of wear and tear during that year or period of any plant or machinery in respect of which a deduction can be made under the said Rule 6, plus, in the case of a year constituting or comprised in the standard period, ten per cent., and, in the case of a chargeable accounting period, twenty per cent., of that sum.

- 3 (1) Where any buildings, plant or machinery have, - after the beginning of the year nineteen hundred and thirty-seven, been provided for the purpose of fulfilling armament contracts by the persons carrying on the business, then, if either—
- (a) on such date as Parliament may hereafter declare to be the date of the restoration of normal conditions as respects the requirements of the Crown for armaments, the buildings, plant or machinery have, wholly or partially, become obsolete or ceased to be required and the value thereof is less than the net cost thereof; or
 - (b) the buildings, plant or machinery are sold before the said date at a price which is less than the net cost thereof,
- there shall be allowed in respect of each chargeable accounting period such proportion of the deficiency as is properly attributable to that period, less the amount of any allowances for wear and tear or depreciation already made for that period in respect of the buildings, plant or machinery otherwise than under this paragraph, and if any plant or machinery provided as aforesaid is replaced, no allowance other than that made under this paragraph shall be made in respect of the amount expended in the replacement thereof.
- (2) Pending an ascertainment whether any allowance falls to be made under sub-paragraph (1) of this paragraph in respect of buildings, plant or machinery, the Commissioners, if they are satisfied that any buildings, plant or machinery provided as aforesaid are of such a character that it is likely that the conditions specified in the said sub-paragraph will be fulfilled in the case thereof, may allow in any chargeable accounting period such sums as they think fit, not exceeding ten per cent. (or, if the chargeable accounting period is less than a year, a proportionately reduced amount) of the net cost of the buildings, plant or machinery, but any such allowance shall be provisional only, and on the coming of the said date, or, as the case may be, on the previous sale of the buildings, plant or machinery, the amount thereof shall be adjusted so as to accord with the provisions of the said sub-paragraph.
- (3) In this paragraph, the expression " net cost " means, in relation to any buildings, plant or machinery, the cost of the provision thereof less any sum provided, or to be provided, directly or indirectly, out of the Consolidated Fund of the United Kingdom or of Northern Ireland, or out of moneys provided by the Parliament of the United Kingdom or the Parliament of Northern Ireland, towards the cost of the provision of the buildings, plant or machinery, or towards any depreciation thereof.
- 4 The principles of the Income Tax Acts under which deductions are not allowed for interest, annuities or other annual payments payable out of the profits, or for royalties, or (in certain cases) for rent, and under which the annual value of lands, tenements, hereditaments or heritages occupied for the purposes of a business is excluded, and under which a deduction may be allowed in respect of such annual value, shall not be followed :
- Provided that—
- (a) nothing in this paragraph shall authorise any deduction in respect of any payment of dividend or distribution of profits;
 - (b) for the purposes of this paragraph any additional deduction allowable for income tax purposes by virtue of the proviso to paragraph (2) of Rule 5 of the Rules applicable to Cases I and II of Schedule D and any deduction allowable for those purposes under section eighteen of the Finance Act, 1919, shall not be treated as a deduction in respect of annual value.

- 5 The provisions of subsection (4) of section twenty-seven of the Finance Act, 1920 (which disallows deductions on account of the payment of Dominion income tax) shall not apply.
- 6 No income received from investments shall be included in the profits; and where the person carrying on the business is the beneficial owner of any investments and a deduction would, apart from the provisions of this paragraph, fall to be made in respect of interest on borrowed money, the deduction (if any) to be made in respect of that interest shall be computed as if the principal of the borrowed money were reduced by the value of those investments :
- Provided that where the person carrying on the business is not a body corporate, no deduction shall be treated as made in the principal of any borrowed money in respect of any investments unless those investments are mortgaged, charged or pledged as security for the repayment of that money and the interest thereon.
- 7 No deduction shall be made on account of liability to pay or payment of United Kingdom income tax, the national defence contribution, or armament profits duty.
- 8 No deduction shall be made in respect of any transaction or operation of any nature if and so far as it appears that the transaction or operation has artificially reduced the profits, or would artificially reduce the profits.
- 9 In the case of a business carried on in any chargeable accounting period by a company the directors whereof have a controlling interest therein,—
- (a) if the standard profits for the company are computed by reference to a standard period, no deduction shall be allowed in respect of directors' remuneration in excess of the amount paid for directors' remuneration in respect of the standard period or, if the standard period is longer than the chargeable accounting period, in excess of so much of the sum paid for directors' remuneration in respect of the standard period as bears to the total amount thereof the like proportion as the length of the chargeable accounting period bears to that of the standard period;
 - (b) if the standard profits are not computed by reference to a standard period, no deduction shall be allowed in respect of the remuneration of the directors.
- 10 Where the performance of a contract extends beyond the year or chargeable accounting period, there shall (unless the Commissioners, owing to any special circumstances, otherwise direct) be attributed to the year or period such proportion of the entire profit or loss which has resulted, or which it is estimated will result, from the complete performance of the contract as is properly attributable to the year or period, having regard to the extent to which the contract was performed in the year or period.

PART II

PROVISION FOR COMPUTING CAPITAL.

- 1 (1) Subject to the provisions of this Part of this Schedule, the amount of the capital employed in a business (so far as it does not consist of money) shall be taken to be—
- (a) so far as it consists of assets acquired by purchase on or after the commencement of the business, the price at which those assets were acquired, subject to the deductions hereafter specified;

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

- (b) so far as it consists of assets being debts due to the person carrying on the business, the nominal amount of those debts, subject to the said deductions;
- (c) so far as it consists of any other assets which have been acquired otherwise than by purchase as aforesaid, the value of the assets when they become assets of the business, subject to the said deductions.

(2) The price or value of any assets other than a debt shall be subject to the following deductions—

- (a) a deduction of any sum contributed, directly or indirectly, out of the Consolidated Fund of the United Kingdom or of Northern Ireland, or out of moneys provided by the Parliament of the United Kingdom or the Parliament of Northern Ireland, towards the acquisition of the asset;
- (b) any such deductions for wear and tear or for depreciation as are authorised by the Income Tax Acts or Part I of this Schedule,

and, in the case of a debt, the nominal amount of the debt shall be subject to any deduction which has been allowed in respect thereof for income tax purposes.

(3) Where the price of any asset has been satisfied otherwise than in cash, the then value of the consideration actually given for the asset shall be treated as the price at which the asset was acquired.

(4) For the purposes of the provisions of sub-paragraph (2) of this paragraph relating to deductions for wear and tear or depreciation, any additional deduction allowable for income tax purposes by virtue of the proviso to paragraph (2) of Rule 5 of the Rules applicable to Cases I and II of Schedule D, and any deduction allowable for those purposes under section eighteen of the Finance Act, 1919, shall be treated as a deduction for depreciation.

2 Any borrowed money and debts shall be deducted, and in particular any debt for income tax computed by reference to the standard rate or for the national defence contribution or the armament profits duty in respect of the business shall be deducted :

Provided that any such debt for income tax or the national defence contribution or the armament profits duty shall, for the purposes of this Part of this Schedule, be deemed to have become due—

- (a) in the case of income tax, on the first day of January in the year of assessment for which the tax is assessable;
- (b) in the case of the national defence contribution or the armament profits duty, on the first day after the end of the chargeable accounting period in respect of which the contribution or duty is assessable;

notwithstanding that the tax, contribution or duty may not have been assessed until after those dates respectively.

3 Any investments and any moneys not required for the purposes of the business, shall be left out of account, but where any investments in the beneficial ownership of the person carrying on the business are so left out of account, the sum (if any) to be deducted under the last preceding paragraph in respect of borrowed money shall be computed as if the principal of the borrowed money were reduced by the value of those investments :

Provided that where the person carrying on the business is not a body corporate, no reduction shall be treated as made in the principal of any borrowed money in respect

of any investments unless those investments are mortgaged, charged or pledged as security for the repayment of that money and the interest thereon.

- 4 For the purpose of ascertaining the average amount of capital employed in a trade or business during any period, the profits or losses made in that period shall, except so far as the contrary is shown, be deemed—
- (a) to have accrued at an even rate throughout the period; and
 - (b) to have resulted, as they accrued, in a corresponding increase or decrease, as the case may be, in the capital employed in the business.