



# Finance Act 1937

## 1937 CHAPTER 54

### PART I

#### CUSTOMS AND EXCISE

#### **1 Continuation of duty on hops, and c, and of additional duty and drawback on beer**

- (1) The duties of customs chargeable by virtue of subsection (1) of section two of the Finance Act, 1933, on hops, hop oil and extracts, essences or other similar preparations made from hops, and the additional duty of customs chargeable under subsection (2) of that section in respect of beer, shall continue to be charged until the end of the fifteenth day of August, nineteen hundred and forty-one.
- (2) The additional excise drawback allowed in respect of beer under subsection (4) of the said section two shall continue to be allowed until the end of the fifteenth day of November, nineteen hundred and forty-one.

#### **2 Extension of period of stabilisation of rates of Imperial preference**

Subsection (1) of section seven of the Finance Act, 1926, (which, as extended by section four of the Finance Act, 1936, provides for the stabilisation of rates of Imperial preference during a period ending on the nineteenth day of August, nineteen hundred and thirty-seven) shall have effect as if the said period were extended by one year; and accordingly subsection (1) of the said section four shall be amended by substituting the words " nineteen hundred and thirty-eight " for the words " nineteen hundred and thirty-seven ".

#### **3 Provisions for fulfilling agreement with Canada**

- (1) The following provisions of this section shall have effect with a view to the fulfilment of the agreement made on the twenty-third day of February, nineteen hundred and thirty-seven, between His Majesty's Government in the United Kingdom and His

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Majesty's Government in the Dominion of Canada, being the agreement set out in the First 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 seventeen of the said agreement that that agreement shall 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 I of the First Schedule to that Act.
- (3) The following provisions shall have effect as respects the preferential rate of any new duties of customs for the time being chargeable under section nine of the Finance Act, 1933, on articles being stockings or socks made wholly of silk or containing silk components the value whereof exceeds twenty per cent. of the aggregate of the values of all the components thereof, and being Empire products:—
- (a) for the purposes of this subsection—
    - (i) the expression " the existing preferential rate " means the preferential rate provided in subsection (5) of the said section nine; and
    - (ii) the expression " the agreed preferential rate " means whichever is the higher of the following rates, namely, twenty-eight and eight-ninths per cent. of the value of the article or eight shillings per pound weight;
  - (b) if only one duty is for the time being chargeable as aforesaid on any such article, the duty shall be chargeable on the article either at the agreed preferential rate or at the existing preferential rate, whichever is the lower;
  - (c) if two or more duties are for the time being so chargeable on any such article, the aggregate amount thereof payable in respect of the article shall not exceed whichever of the two following amounts is the less, namely, the aggregate amount of those duties which would be so payable if they were charged at the existing preferential rate or the amount of duty which would be so payable if a single duty were charged at the agreed preferential rate;
  - (d) if at any time the Treasury are satisfied that none of the scheduled agreements for the time being in force would be contravened if the operation of paragraphs (b) and (c) of this subsection were suspended, the Treasury shall by order direct that the operation thereof shall be suspended so long as the order remains in force, but any such order shall be revoked if and when the Treasury are satisfied that any such agreement is being contravened by reason of the order;
  - (e) in relation to any such articles manufactured in a country the Government of which is a party to one of the scheduled agreements, the provisions of paragraphs (b) and (c) of this subsection shall not in any case have effect at any time when that agreement is not in force.
- (4) The duty of customs chargeable under section three of the Finance Act, 1925, shall not be charged on reed organs (including harmoniums) imported complete, being Empire products:

Provided that—

- (a) if at any time the Treasury are satisfied that none of the scheduled agreements for the time being in force would be contravened if the foregoing provisions of this subsection were suspended, the Treasury shall by order direct that those provisions shall be suspended so long as the order remains in force, but any such order shall be revoked if and when the Treasury are satisfied that any such agreement is being contravened by reason of the order; and

- (b) in relation to any such organ manufactured in a country the Government of which is a party to one of the scheduled agreements, the said provisions of this subsection shall not in any case have effect at any time when that agreement is not in force.
- (5) The last two foregoing subsections shall be deemed to have had effect as from the twenty-first day of April, nineteen hundred and thirty-seven.
- (6) Section five of the Ottawa Agreements Act, 1932, shall cease to have effect.
- (7) This section shall be construed as one with the Ottawa Agreements Act, 1932, and the enactments amending that Act.

#### **4 Provisions as to exemption of sculptures, and C, from import duties**

- (1) Any order made by the Treasury under subsection (3) of section one of the Import Duties Act, 1932, directing that works of art to which this section applies, or any class or description thereof, shall be added to the First Schedule to that Act, may provide that no article shall be exempt from duty as being a work of art of a class or description to which the order relates unless it is certified by or on behalf of the director of a museum or gallery specified in the order, being a museum or gallery the expenses of which are defrayed out of moneys provided by Parliament, to be a work of art of that class or description.
- (2) Any such order may further contain provisions—
  - (a) as to the form of the certificates to be issued thereunder, as to the form and manner in which applications therefor are to be made, and as to the particulars and documents to be furnished with any such application;
  - (b) as to the number of replicas or impressions of the same article in respect of which such certificates may be issued;
  - (c) as to the place in which any article, in respect of which exemption is claimed under the order, is to be deposited and kept pending the production of such a certificate or payment of duty, as to the conditions on which an article is to be so deposited, and as to the sale or disposal of an article so deposited in the event of failure to produce the certificate or pay the duty.
- (3) The expenses of the director of any museum or gallery under any such order shall be defrayed out of moneys provided by Parliament.
- (4) The works of art to which this section applies are sculptures, whether in the round, in relief or in intaglio, and engraved or etched blocks, plates or other material and impressions thereof.

#### **5 Repeal of male servant duty, and effect thereof on game licence duty**

- (1) The duty of excise chargeable under the Revenue Act, 1869, in respect of male servants shall cease to be chargeable, and no licence shall be required to be taken out under that Act in respect of the employment of a male servant:

Provided that nothing in the foregoing provisions of this subsection shall affect the rate of the duty chargeable under the Game Licences Act, 1860, in respect of licences to kill game taken out or renewed on behalf of servants employed as gamekeepers, and accordingly the provisions of that Act set out in the first column of the Second

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Schedule to this Act shall be amended in the manner shown in the second column of that Schedule.

- (2) No licence to kill game shall be taken out or renewed by any person under the Game Licences Act, 1860, on behalf of a servant employed as a gamekeeper unless that person has signed and delivered to the officer issuing or renewing the licence a declaration in writing in such form and containing such particulars as may be prescribed by the Treasury, and, if any person makes a statement which he knows to be false in any such declaration, he shall be liable to an excise penalty of twenty pounds.
- (3) This section shall come into operation on the first day of January, nineteen hundred and thirty-eight.

## **6 Regulation of sale of sweets by holders of off-licences**

- (1) The provisions applicable to retailers' off-licences in the First Schedule to the Finance (1909-10) Act, 1910, shall be amended by inserting at the end thereof the following paragraph :—

“4           A person holding the off-licence to be taken out by a retailer of wine or the off-licence to be taken out by a retailer of sweets may not sell sweets in open vessels.”

- (2) This section shall come into operation on the first day of October, nineteen hundred and thirty-seven.

## **7 Amendment as to unladen weight of goods vehicles**

- (1) For the purpose of paragraph 5 of the Second Schedule to the Finance Act, 1920, the unladen weight of a goods vehicle shall be taken to include the weight of any receptacle, being an additional body, placed on the vehicle for the purpose of the carriage of goods or burden of any description, if any goods or burden are loaded into, carried in and unloaded from the receptacle without the receptacle being removed from the vehicle :

Provided that the weight of a receptacle shall not be included in the unladen weight of a goods vehicle by virtue of this section—

- (a) unless the receptacle is placed on the vehicle by or on behalf of the person in whose name the vehicle is registered under the Roads Act, 1920; or
  - (b) if the receptacle is constructed or adapted for the purpose of being lifted on or off the vehicle with goods or burden contained therein.
- (2) This section shall come into operation on the first day of January, nineteen hundred and thirty-eight.

## **8 Reduction of duty on certain tricycles**

- (1) The rate of the duty chargeable in respect of tricycles under section thirteen of the Finance Act, 1920, shall, in the case of tricycles neither constructed nor adapted for use nor used for the carriage of a driver or passenger, be reduced to two pounds; and accordingly the following sub-paragraph shall be substituted for sub-paragraph (c) of paragraph 1 of the Second Schedule to that Act—

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“(c) tricycles—

neither constructed nor adapted for use £2  
nor used for the carriage of a driver or a  
passenger  
other tricycles £4”

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- (2) This section shall come into operation on the first day of January, nineteen hundred and thirty-eight.

## **9 Reduction of duty on tower wagons**

- (1) Vehicles to which this section applies, and which are chargeable with duty under subparagraph (c) of paragraph 5 of the Second Schedule to the Finance Act, 1920, shall be chargeable thereunder at the rates applicable to electrically propelled vehicles, whether they are so propelled or not.
- (2) The vehicles to which this section applies are goods vehicles—
- (a) which are used for the purposes of an electricity undertaking, gas undertaking or electric transport undertaking, and for no other purpose; and
  - (b) into which there is built, as part of the vehicle, a telescopic contrivance designed for facilitating the erection, inspection, repair or maintenance of overhead structures or equipment; and
  - (c) which are neither constructed nor adapted for use nor used for the conveyance of any load except such a contrivance and articles used in connection therewith.
- (3) In this section the expression " electricity undertaking" means an undertaking for supplying electricity or for supplying light by means of electricity, the expression " gas undertaking " means an undertaking for supplying gas or for supplying light by means of gas, and the expression " electric transport undertaking" means an undertaking for supplying transport by means of electrically propelled vehicles.
- (4) This section shall come into operation on the first day of January, nineteen hundred and thirty-eight.

## **PART II**

### **INCOME TAX**

## **10 Income tax for 1937-38**

- (1) Income tax for the year 1937-38 shall be charged at the standard rate of five shillings 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 1936-37 shall have effect with respect to the income tax charged for the year 1937-38.

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## 11 Higher rates of income tax for 1936-37

Income tax for the year 1936-37 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 respectively exceed the standard rate by amounts equal to the amounts by which the rates at which income tax was charged in respect of the said excess for the year 1935-36 respectively exceeded the standard rate for that year.

## 12 Prevention of avoidance of tax by certain transactions in securities

(1) Where the owner of any securities (in this and the next following subsection referred to as "the owner") agrees to sell or transfer those securities, and by the same or any collateral agreement—

- (a) agrees to buy back or re-acquire the securities; or
- (b) acquires an option, which he subsequently exercises, to buy back or re-acquire the securities;

then, if the result of the transaction is that any interest becoming payable in respect of the securities is receivable otherwise than by the owner, the following provisions shall have effect—

- (i) the interest payable as aforesaid shall, whether it would or would not have been chargeable to tax apart from the provisions of this section, be deemed for all the purposes of the Income Tax Acts to be the income of the owner and not to be the income of any other person; and
- (ii) if the securities are of such a character that the interest payable in respect thereof may be paid without deduction of tax, the owner shall be chargeable to tax at the standard rate under Case VI of Schedule D in respect of the interest which is deemed to be his income as aforesaid, unless he shows that it has borne tax at the standard rate.

(2) The references in the last foregoing subsection to buying back or re-acquiring the securities shall be deemed to include references to buying or acquiring similar securities, so, however, that where similar securities are bought or acquired, the owner shall be under no greater liability to tax than he would have been under if the original securities had been bought back or re-acquired.

(3) Where any person carrying on a trade which consists wholly or partly in dealing in securities agrees to buy or acquire any securities, and by the same or any collateral agreement—

- (a) agrees to sell back or re-transfer the securities; or
- (b) acquires an option, which he subsequently exercises, to sell back or re-transfer the securities;

then, if the result of the transaction is that any interest becoming payable in respect of the securities is receivable by him, no account shall be taken of the transaction in computing for any of the purposes of the Income Tax Acts the profits arising from or loss sustained in the trade.

(4) The last foregoing subsection shall have effect, subject to any necessary modifications, as if references to selling back or re-transferring the securities included references to selling or transferring similar securities.

(5) This section shall not apply to any transaction where the relevant agreements were made before the sixth day of April, nineteen hundred and thirty-seven.

- (6) For the purpose of this section—
- (a) the expression " interest " includes a dividend;
  - (b) the expression " securities " includes stocks and shares;
  - (c) securities shall be deemed to be similar if they entitle their holders to the same rights against the same persons as to capital and interest and the same remedies for the enforcement of those rights, notwithstanding any difference in the total nominal amounts of the respective securities or in the form in which they are held or the manner in which they can be transferred.
- (7) The Commissioners of Inland Revenue may by notice in writing require any person to furnish them within such time as they may direct (not being less than twenty-eight days), in respect of all securities of which he was the owner at any time during the period specified in the notice, such particulars as they consider necessary for the purposes of this section and for the purpose of discovering whether tax has been borne in respect of the interest on all those securities, and, if that person without reasonable excuse fails to comply with the notice, 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 during every day on which the failure continues.

### **13 Amendment as to relief in respect of losses**

For the purposes of section thirty-four of the Income Tax Act, 1918 (which relates to relief in respect of certain losses) the amount of a loss sustained in a trade shall, in all cases, be computed in like manner as the profits or gains arising or accruing from the trade are computed under the rules applicable to Case I of Schedule D :

Provided that—

- (a) nothing in this section shall affect the provisions of paragraph (2) of Rule 15 of the Rules applicable to Cases I and II of Schedule D (which relates to losses of assurance companies carrying on life assurance business); and
- (b) where relief is claimed by virtue of this section in respect of a loss sustained in a trade which consists wholly or partly in dealing in securities, section twelve of this Act shall apply, for the purpose of computing the amount of the loss, as if subsection (5) thereof were omitted therefrom.

### **14 Amendments of 12 and 13 Geo. 5. c. 17, s. 21**

- (1) Notwithstanding anything in subsection (6) of section twenty-one of the Finance Act, 1922, a company which is deemed for the purposes of that subsection to be under the control of not more than five persons shall not be deemed to be a subsidiary company, unless it can be deemed to be under the control of not more than five persons only by including among the persons mentioned in paragraph (a), (b) or (c) of subsection (1) of section nineteen of the Finance Act, 1936, or in subsection (3) of section twenty of that Act, a company to which the provisions of the said section twenty-one do not apply and which is not the nominee of any other person.
- (2) In the case of a company to which section twenty-one of the Finance Act, 1922, applies, being an investment company, the following provisions shall have effect:—
- (a) the Special Commissioners may, if they think fit, give a direction under subsection (1) of that section if it appears to them that the company has not within any year of assessment distributed to its members, in such manner as to render the amount distributed liable to be included in the statements to be

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- made by the members of the company of their total income for the purposes of surtax, a reasonable part of its actual income from all sources for that year;
- (b) in determining for the purpose of this subsection whether the company has or has not distributed as aforesaid a reasonable part of its actual income from all sources for any year of assessment, the Special Commissioners shall deem all the said income to have become available for distribution as soon as it became due and payable to the company;
- (c) where an order has been made or a resolution passed for the winding up of the company, the Special Commissioners may, if they think fit, treat either of the following periods, that is to say,—
- (i) the period from the end of the last year or other period for which accounts of the company have been made up to the date of the order or resolution; or
- (ii) the period from the end of the last year of assessment to the date of the order or resolution;
- as if it were a year of assessment for the purposes of this subsection;
- (d) for the purposes of this subsection, the provisions of section twenty-one of the Finance Act, 1922, and any other enactment relating thereto shall apply as if a year of assessment, or a period which by virtue of this subsection is treated as a year of assessment, were a year or period for which accounts of the company have been made up, but subject to the modifications set out in the Third Schedule to this Act.
- (3) Where a direction is given under subsection (1) of section twenty-one of the Finance Act, 1922, with respect to an investment company, the Special Commissioners, in determining the respective interests of the members for the purpose of apportioning income in accordance therewith under paragraph 8 of the First Schedule to that Act, may, if it seems proper to them so to do, attribute to each member an interest corresponding to his interest in the assets of the company available for distribution among the members in the event of a winding up.
- (4) In this section and in any other provisions of this or any other Act relating to section twenty-one of the Finance Act, 1922, the expression " investment company " shall have the same meaning as in section twenty of the Finance Act, 1936, and any references to the date of the order or resolution for the winding up of a company shall be construed—
- (a) in the case of a company within the meaning of the Companies Act, 1929, or the Companies Act (Northern Ireland), 1932, as references to the time of the commencement of the winding up; and
- (b) in the case of any other body corporate, as references to the time of the making of the order, or of the passing of the resolution, or of the signing of the instrument, or of the making of the application, or of the doing of the act, as the case may be, which initiates the winding up of the body corporate.
- (5) The provisions of this section shall have effect for the purposes of assessment to surtax for the year 1935-36 and subsequent years:

Provided that the provisions of subsection (2) of this section shall not have effect for the purposes of assessment to surtax for the year 1935-36 in relation to any company which before the twenty-first day of April, nineteen hundred and thirty-seven, made up accounts for a period ending in the year 1935-36.



## **15 Allowance for depreciation of mills, factories, and c**

(1) In computing for any year of assessment the amount of profits or gains arising or accruing from any trade the profits of which are chargeable to tax under Case I of Schedule D, there shall be allowed a deduction of an amount hereafter provided in respect of the depreciation of any premises being mills, factories or other similar premises, wherever situate, which, during the period of computation, are owned by the person carrying on the trade and occupied by him for the purposes thereof.

(2) Where the premises—

- (a) are assessable to tax under No. I of Schedule A; and
- (b) do not consist of or comprise electricity works or brickworks;

the amount of the deduction to be allowed under this section shall be an amount equal to the repairs allowance of the premises, or an amount equal to the appropriate fraction of the rating value of the premises, whichever is the less; and for the purposes of this subsection the appropriate fraction of the rating value shall be taken to be, in the case of premises situate in the administrative county of London or in Scotland, one-sixth, and, in the case of other premises, one-fifth, of the rating value.

(3) Where the premises—

- (a) are not assessable to tax under No. I of Schedule A; or
- (b) consist of or comprise electricity works or brickworks;

the amount of the deduction to be allowed under this section shall be an amount equal to one per cent. of the actual cost to the person carrying on the trade of any building (including the site thereof) which forms part of the premises, being either—

- (i) a building which contains, and is used wholly or mainly for the purpose of operating, machinery worked by steam, electricity, water or other mechanical power; or
- (ii) a building the depreciation of which is substantially increased by the operation of machinery so worked on the premises in any such building as is mentioned in paragraph (i) of this subsection:

Provided that no non-rateable machinery within the meaning of section twenty-two of the Finance Act, 1936, shall be deemed to form part of a building for the purpose of this subsection.

(4) Where the period of computation is less than twelve months, or the premises are not owned by the person carrying on the trade and occupied by him for the purposes thereof for the whole of the period of computation, the deduction to be allowed under the foregoing provisions of this section shall be proportionately reduced; and where in the course of the period of computation there has been any alteration of the premises, or of the repairs allowance or rating value thereof, the amount of the deduction to be allowed under this section shall be the aggregate of the amounts of the deductions which would have been allowable thereunder if each part of the period of computation, before and after the alteration, had itself been a period of computation.

(5) A person occupying any premises as the tenant thereof shall be treated for the purposes of this section as if he were the owner thereof if, under the covenants to repair contained in the lease or agreement by virtue of which he occupies the premises, the whole of the burden of any depreciation of the premises falls upon him.

(6) For the purpose of this section—

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- (a) the expression " electricity works " means any building in which electrical energy is generated, converted or transformed for supply by way of trade;
  - (b) the expression " period of computation ", in relation to any trade, means the period by reference to the profits or gains of which the profits or gains arising or accruing from the trade are to be computed for the year of assessment in question;
  - (c) the expression " rating value " in relation to any premises, means—
    - (i) in the case of premises situate in England outside the administrative county of London, the net annual value of the premises as appearing in the valuation list for the time being in force under the Rating and Valuation Act, 1925;
    - (ii) in the case of premises situate in the administrative county of London, the gross value of the premises as appearing in the valuation list for the time being in force under the Valuation (Metropolis) Act, 1869;
    - (iii) in the case of premises situate in Scotland, the gross annual value of the premises as appearing in the valuation roll for the time being in force under the Rating (Scotland) Act, 1926;
    - (iv) in the case of premises situate in Northern Ireland, the net annual value of the premises as shown in the valuation lists for the time being in force under the Valuation Acts (Northern Ireland), 1852 to 1932, or in any provisional or revised valuation for the time being in force by virtue of any enactment pending the annual revision of valuation under the said Acts;
  - (d) the expression " repairs allowance ", in relation to any premises, means the reduction authorised in respect of the premises for the purposes of Rule 7 of No. V of Schedule A.
- (7) The proviso to paragraph (2) of Rule 5 of the rules applicable to Cases I and II of Schedule D, and section eighteen of the Finance Act, 1919, shall cease to have effect.

## **16 Continuance of allowance for repairs under 13 and 14 Geo. 5. c. 14, s. 28**

- (1) Section twenty-eight of the Finance Act, 1923 (which relates to the allowance for repairs and which was continued in force by section twenty-four of the Finance Act, 1935, until the fifth day of April, nineteen hundred and thirty-seven) shall continue in force until the fifth day of April, nineteen hundred and forty-two.
- (2) This section shall be deemed to have had effect as from the sixth day of April, nineteen hundred and thirty-seven.

## **17 Amendment as to allowance in respect of earned income of wives**

For the purposes of subsection (2) of section eighteen of the Finance Act, 1920 (which provides for an increased personal allowance to a claimant whose total income includes earned income of his wife) any earned income of the claimant's wife arising in respect of any pension, superannuation or other allowance, deferred pay, or compensation for loss of office, given in respect of his past services in any office or employment of profit, shall be deemed not to be earned income of his wife.

## **18 Amendment as to discount on tax paid in advance**

Section one hundred and fifty-nine of the Income Tax Act, 1918 (which provides for an allowance of discount on tax paid in advance under Schedule D), shall be amended by inserting at the end thereof the following subsection :—

“(2) The Commissioners of Inland Revenue may, on application made to them in writing within one month from the date of such a payment in advance by any person, repay to him the amount of any allowance which might have been made to him under this section if he had made a request therefor at the time of the payment.”

## **PART III**

### **NATIONAL DEFENCE CONTRIBUTION**

## **19 Charge of national defence contribution**

- (1) There shall be charged, on the profits arising in each chargeable accounting period falling within the five years beginning on the first day of April, nineteen hundred and thirty-seven, from any trade or business to which this section applies, a tax (to be called the " national defence contribution") of an amount equal to five per cent. of those profits in a case where the trade or business is carried on by a body corporate and four per cent. of those profits in any other case.
- (2) Subject as hereafter provided, the trades and businesses to which this section applies are all trades or businesses of any description carried on in the United Kingdom, or carried on, whether personally or through an agent, by persons ordinarily resident in the United Kingdom.
- (3) The carrying on of a profession by an individual or by individuals in partnership shall not be deemed to be the carrying on of a trade or business to which this section applies if the profits of the profession are dependent wholly or mainly on his or their personal qualifications :

Provided that for the purpose of this subsection the expression " profession " does not include any business consisting wholly or mainly in the making of contracts on behalf of other persons or the giving to other persons of advice of a commercial nature in connection with the making of contracts.

- (4) Where the functions of a company or society incorporated by or under any enactment consist wholly or mainly in the holding of investments or other property, the holding of the investments or property shall be deemed for the purpose of this section to be a business carried on by the company or society.
- (5) This section shall not apply to any trade or business carried on by statutory undertakers and consisting wholly or mainly in the rendering in the United Kingdom or a Dominion as defined in section twenty-seven of the Finance Act, 1920, of any of the following services, namely:—
  - (a) the supply of water, gas, electricity or hydraulic power;
  - (b) the provision or maintenance of a canal or other inland waterway, or a harbour, dock, quay, pier, road, bridge, ferry or tunnel;
  - (c) the conservancy of a river;

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- (d) the carriage of goods or passengers by railway, or the carriage of passengers by road, or the carriage of goods by canal or inland navigation.

For the purposes of this subsection and any other provision of this Act relating to the national defence contribution—

- (i) the expression " statutory undertakers " means any local or public authority authorised by or by virtue of any enactment to render any of the services aforesaid in the United Kingdom or a Dominion as defined in section twenty-seven of the Finance Act, 1920, and any other person so authorised who is precluded by or by virtue of any enactment from charging any higher price for those services than that authorised by or by virtue of the enactment or, in the case of a body corporate, is either so precluded or precluded by or by virtue of any enactment from paying a dividend at any higher rate, or distributing by way of dividend any greater amount, than that authorised by or by virtue of the enactment;
- (ii) the expression " pier " means a pier wholly or mainly used for loading or unloading goods or embarking or disembarking passengers.
- (6) This section shall not apply to the business carried on by the British Broadcasting Corporation.
- (7) If the Commissioners appointed for the purposes of the Special Areas (Development and Improvement) Acts, 1934 and 1937, certify that, for the purpose of inducing any persons to establish an industrial undertaking in any of the special areas, it is expedient that those persons, in addition to being provided with financial assistance under section three of the Special Areas (Amendment) Act, 1937, should be given relief in respect of any national defence contribution which may become chargeable in respect of the profits of the undertaking, the Treasury may agree to remit the whole or any part of any national defence contribution so chargeable.

## **20 Computation of profits and accounting periods**

- (1) For the purpose of the national defence contribution, the profits arising from a trade or business in each chargeable accounting period shall be separately computed, and shall be so computed on income tax principles as adapted in accordance with the provisions of the Fourth Schedule to this Act.

For the purpose of this subsection, the expression " income tax principles " in relation to a trade or business means the principles on which the profits arising from the trade or business are computed for the purpose of income tax under Case I of Schedule D, or would be so computed if income tax were chargeable under that Case in respect of the profits so arising.

- (2) For the purpose of the national defence contribution, the accounting periods of a trade or business shall be determined as follows :—
- (a) in a case where the accounts of the trade or business are made up for successive periods of twelve months, each of those periods shall be an accounting period;
- (b) in a case where the accounts of the trade or business have been made up as aforesaid but have ceased to be so made up, the accounting periods from the end of the last period of twelve months for which they were so made up shall be such periods not exceeding twelve months as the Commissioners of Inland Revenue may determine;

- (c) in any other case the accounting periods of a trade or business shall be such periods not exceeding twelve months as the Commissioners of Inland Revenue may determine;

and the expression "chargeable accounting period" means—

- (i) any accounting period determined as aforesaid which falls wholly within the five years beginning on the first day of April, nineteen hundred and thirty-seven; and
- (ii) in a case where any such accounting period falls partly within and partly without the said five years, such part of that period as falls within those five years.
- (3) Where a chargeable accounting period is not a period for which the accounts of the trade or 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 trade or 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 chargeable accounting period.
- (4) Any apportionment under the last foregoing subsection shall be made in proportion to the number of months or fractions of months in the respective periods, unless the Commissioners of Inland Revenue having regard to any special circumstances otherwise direct.

## **21 Exemption and abatement in respect of minimum profits**

- (1) Where the profits arising in any chargeable accounting period from a trade or business do not exceed two thousand pounds, those profits shall not be chargeable to the national defence contribution.
- (2) Where the profits arising in any chargeable accounting period from a trade or business exceed two thousand pounds but are less than twelve thousand pounds, those profits shall, for the purpose of assessment to the national defence contribution, be reduced by a sum equal to one-fifth of the difference between the amount of those profits and twelve thousand pounds.
- (3) In relation to a chargeable accounting period of less than twelve months, references in this section to two thousand pounds and twelve thousand pounds shall be construed as references to a sum which bears the same proportion to two thousand pounds or to twelve thousand pounds, as the case may be, as the length of the period bears to twelve months.

## **22 Provisions as to subsidiary companies**

- (1) Where a body corporate resident in the United Kingdom is a subsidiary of another body corporate so resident (hereafter in this section referred to as "the principal company") the principal company may, by notice in writing given to the Commissioners of Inland Revenue before the expiration of any chargeable accounting period of the subsidiary or within two months thereafter, require that the provisions of subsection (2) of this section shall apply to the subsidiary as respects that period and all subsequent chargeable accounting periods throughout which it continues to be a subsidiary of the principal company:

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Provided that, if the first chargeable accounting period of the subsidiary ended before the passing of this Act, a notice given as respects that period within two months from the passing of this Act shall have effect for the purposes of this section as if it had been given within two months from the end of that period.

- (2) Where such a notice is given, the profits or losses arising in any chargeable accounting period to which the notice relates from the trade or business carried on by the subsidiary shall be treated, for the purpose of the provisions of this Act relating to the national defence contribution other than the provisions of paragraph 2 and subparagraph (2) of paragraph 3 of the Fourth Schedule to this Act, as if they were profits or losses arising in, the corresponding chargeable accounting period from the trade or business carried on by the principal company.
- (3) For the purpose of this section—
  - (a) a body corporate shall be deemed to be a subsidiary of another body corporate if and so long as not less than nine-tenths of its ordinary share capital is beneficially owned by that other body corporate;
  - (b) the expression "ordinary share capital" has the same meaning as in the Fourth Schedule to this Act;
  - (c) a chargeable accounting period of a subsidiary shall be deemed to correspond to such chargeable accounting period of the principal company as the Commissioners of Inland Revenue may determine.

## **23 Special provision as to building societies**

- (1) The amount of the national defence contribution chargeable on the profits arising in any chargeable accounting period from the business of a building society shall not exceed one and one-half per cent. of the amount of those profits computed in accordance with the provisions of this Part of this Act, but without allowing any deduction for interest paid on money borrowed by the society from members or depositors.
- (2) For the purpose of this section the expression "building society" means a society regulated by any of the Acts regulating building societies, or a society registered under the Industrial and Provident Societies Acts, 1893 to 1928, which carries on a business of such a nature that it could have been established under any of the Acts regulating building societies, and no other business.

## **24 Assessment, collection, appeals, and c**

- (1) The national defence contribution shall be assessed and collected by the Commissioners of Inland Revenue in accordance with the provisions of Part I of the Fifth Schedule to this Act, and shall be due and payable at the expiration of one month from the date of the assessment, and shall be recoverable as a debt due to His Majesty from the person on whom it is assessed.
- (2) Any person who is dissatisfied with any such assessment may appeal subject to and in accordance with the provisions of Part II of the said Schedule.
- (3) The provisions of Part III of the said Schedule shall have effect for the purpose of carrying into effect the provisions of this section and of Parts I and II of the said Schedule and otherwise for supplementing those provisions.

## **25 Deduction of national defence contribution in computing liability to income tax**

- (1) The amount of the national defence contribution payable in respect of the profits arising from a trade or business in any chargeable accounting period shall be allowed to be deducted as an expense in computing for the purpose of income tax the profits and gains arising from that trade or business in that period.
- (2) Where an amount is allowed to be deducted as an expense by virtue of this section, any income tax overpaid in consequence thereof by any person shall be repaid to him.

## **PART IV**

### **NATIONAL DEBT**

## **26 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 thirty-eight, shall be the sum of two hundred and twenty-four 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.

## **27 Amendment as to deficit for 1936-37**

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 on the thirty-first day of March, nineteen hundred and thirty-seven.

## **28 Advertisement of applications for unclaimed stock, dividends and other moneys**

- (1) Where an application is made for a direction under section fifty-five of the National Debt Act, 1870 (which, as extended by paragraph 6 of the Third Schedule to the Finance Act, 1921, relates to unclaimed stock, dividends and principal moneys payable on redemption) either—
  - (a) for the re-transfer of any stock the nominal value whereof exceeds twenty pounds; or
  - (b) for the payment of any dividends or other moneys amounting in all to more than twenty pounds;

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the direction may, if the Governor or Deputy Governor of the Bank thinks fit, be withheld until three months after public notice of the application has been given by advertisement in such manner and containing such particulars as he may direct.

- (2) In this section " the Bank " means the Bank of England, or, if the application is made to the Bank of Ireland, the Bank of Ireland.
- (3) Sections fifty-six and fifty-seven of the National Debt Act, 1870, shall cease to have effect.

## **29 Amendment as to stock certificates**

Notwithstanding anything in section thirty-two of the National Debt Act, 1870, a stock certificate issued under Part V of that Act after the passing of this Act shall not be convertible into a nominal certificate.

## **PART V**

### MISCELLANEOUS AND GENERAL

## **30 Repeal of stamp duties on certain honours and dignities**

- (1) Stamp duty shall not be chargeable upon any grant or letters patent of the honour or dignity of a duke, marquis, earl, viscount, baron, baronet or knight, or upon any grant or warrant of precedence to take rank among nobility, or upon any docket, or warrant under the sign manual of His Majesty, relating to any such grant, letters patent or warrant of precedence.
- (2) This section shall be deemed to have had effect as from the tenth day of May, nineteen hundred and thirty-seven.

## **31 Exemption from death duties in case of land transferred to National Trust**

- (1) Where any estate or interest in land (in this section referred to as "the settled property ") is given, devised or bequeathed, by any person (in this section referred to as " the disponent ") in such manner as to render the National Trust entitled indefeasibly to the settled property subject to one or more life interests created by the gift, devise or bequest, being life interests to which this section applies, but to no other interest so created, exemption from death duties shall be granted subject to and in accordance with the provisions of this section.
- (2) The life interests to which this section applies are—
  - (a) a life interest (whether extending to the whole or to a part only of the rents and profits arising from the settled property, and whether or not determinable upon an event other than death) given to the disponent;
  - (b) a like interest given to the spouse or a child of the disponent and commencing, so as to entitle the beneficiary as from its commencement to receipt for his own use of all the rents and profits to which it extends, on the date of the cesser of an interest given to the disponent as aforesaid;
  - (c) a like interest given to the spouse or a child of the disponent and commencing as aforesaid on the date on which the gift is made;



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- (d) a like interest devised or bequeathed to the spouse or a child of the disponent and commencing as aforesaid on the date of the disponent's death.
- (3) In the case of any estate duty that would, but for this provision, have been leviable in respect of the settled property or any part thereof on or with reference to the death after the passing of this Act of the disponent, or of a person, whether being the disponent or a spouse or child of his, to whom such an interest as aforesaid is given, devised or bequeathed, exemption shall be granted, if on the death the settled property passes, or a benefit accrues therefrom, to the National Trust, as follows, that is to say—
- (a) exemption shall be granted as to an amount of that duty (whether being the whole or a part thereof) corresponding to the extent to which the settled property passes, or a benefit accrues therefrom, to the National Trust as compared with the extent to which the settled property passes, or a benefit accrues therefrom, to any person or persons entitled to such an interest or interests as aforesaid;
- (b) for the purposes of this subsection, the extent to which on a death the settled property passes, or a benefit accrues therefrom, to any person shall be computed by reference to the extent to which that person becomes on the death entitled to receive for his own use the rents and profits arising from the settled property computed as at the death :
- Provided that, where the death is that of the disponent under a gift and the National Trust is immediately before the death entitled to any extent to receipt of the rents and profits of the settled property for its own use, the settled property shall be deemed to that extent to pass to the National Trust on the death;
- (c) where exemption is granted as to a part of the estate duty leviable on or with reference to any death, the residue thereof shall be charged and borne in like manner as if the passing on the death, or the benefit accruing on the death, as the case may be, had been a passing, or a benefit accruing, wholly to the person or persons other than the National Trust mentioned in paragraph (a) of this subsection.
- (4) In the case of any succession duty that would, but for this provision, have been leviable in respect of a succession taken by the National Trust after the passing of this Act and comprising the settled property or any part thereof, exemption shall be granted as to the whole of that duty:

Provided that the exemption from succession duty granted by this subsection shall not have effect in the case of a succession conferred otherwise than by such a gift, devise or bequest as aforesaid.

- (5) The exemptions from duty conferred by the foregoing provisions of this section shall not have effect unless within six months from the date on which the gift is made, or the date of the death of the testator, as the case may be, or, in the case of a gift made before the date of the passing of this Act, that date, or within such extended period as the Commissioners of Inland Revenue may allow, the interest of the National Trust has been so dealt with as to be held by the Trust inalienably.
- (6) Where the requirements of subsection (1) of section forty of the Finance Act, 1931, are fulfilled in relation to any estate or interest in land given, devised or bequeathed by any person to the National Trust, then, if that person dies after the passing of this Act, the estate or interest shall be exempt from any duties which might under that subsection have been remitted by the Treasury.

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- (7) In this section the expression " the National Trust " has the same meaning as in section forty of the Finance Act, 1931.

### **32 Fixed contribution to Exchequer from Post Office Fund**

For the purpose of any calculation required to be made for the purpose of section thirty-nine of the Finance Act, 1933 (which relates to the Post Office Fund) as respects the financial year ending on the thirty-first day of March, nineteen hundred and thirty-eight, and the two following financial years, the fixed contribution to the Exchequer shall be taken to be the sum of ten million seven hundred and fifty thousand pounds.

### **33 Amendments as to Government annuities**

- (1) The charge required by subsection (3) of section six of the Government Annuities Act, 1929, to be made in respect of the grant of a Government annuity, when the consideration therefor is a sum of money, shall cease to be made.
- (2) The period after the expiration of which no authority given or certificate granted under section seven of the said Act (which relates to payment of consideration for annuities) continues valid under subsection (7) of that section shall, instead of being a period of five days from the date of the authority or certificate as provided in that subsection, be a period of fifteen days from that date :

Provided that, where the authority or certificate is given or granted in the last fifteen days of the month of February, May, August or November, the said period shall be a period expiring at the end of the month in which it is given or granted.

### **34 Short title, construction, extent and repeals**

- (1) This Act may be cited as the Finance Act, 1937.
- (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.
- (3) Part II of this Act shall be construed as one with the Income Tax Acts.
- (4) Any reference in this Act to any other enactment shall be construed as a reference to that enactment as amended by any subsequent enactment, including (unless the context otherwise requires) this Act.
- (5) 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.
- (6) The enactments set out in the Sixth Schedule to this Act are hereby repealed to the extent mentioned in the third column of that Schedule—
- (a) in the case of the enactments set out in Part I of that Schedule, as from the sixth day of April, nineteen hundred and thirty-seven:
  - (b) in the case of the enactments set out in Part II of that Schedule, as from the passing of this Act; and

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- (c) in the case of the enactments set out in Part III of that Schedule, as from the first day of January, nineteen hundred and thirty-eight.