



# Finance Act 1954

## 1954 CHAPTER 44

### PART II

#### PURCHASE TAX

#### **7 Charge of tax on cessation of registration**

- (1) Subject to the provisions of this section, when a person ceases to be required to be registered, purchase tax shall become chargeable in respect of any chargeable goods then in his ownership in respect of which tax has not become chargeable on any appropriation or application by him, and which he acquired under a purchase of goods as stock for his business or as materials or which were imported for him as stock for his business or as materials or which have been manufactured by him, as if they had been delivered by him under a chargeable purchase from him while he was required to be registered.
- (2) Payment of tax due by virtue of the foregoing subsection shall, subject to any conditions the Commissioners may impose for the purpose of protecting the revenue, be deferred for such period as the Commissioners may allow having regard to the said purpose and to the time when tax in respect of the goods might have been expected to become payable if the said person had continued to be required to be registered; and if he satisfies the Commissioners that any of the goods have been sold to a registered person as stock or as materials or exported by him within the period so allowed, or within any further period which they may allow, the tax chargeable under this section in respect of the goods so sold or exported shall be remitted or, if it has been paid, shall be repaid.
- (3) In this section—
  - (a) the references to a purchase of goods as stock or as materials shall be construed in accordance with subsection (1) of section twenty-four of the Finance (No. 2) Act, 1940;
  - (b) the reference to an importation of goods as stock or as materials shall be construed in accordance with subsection (2) of section ten of the Finance Act, 1944; and

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- (c) the reference to manufacturing goods shall be construed as a reference to making goods or applying a process in the course of making goods.
- (4) While any tax for which any person is accountable by virtue of this section remains unpaid, any regulations for the time being in force under section thirty-three of the Finance (No. 2) Act, 1940 (under which the Commissioners may make provision for requiring registered persons to keep accounts and for applying to them any enactment relating to a duty of excise or customs), shall apply to him as if he were a registered person.
- (5) This section shall have effect as respects persons ceasing to be registered on or after the first day of May, nineteen hundred and fifty-four.

## **8 Registration of manufacturers making goods to be let out on hire**

- (1) The reference to manufacturers whose business includes the selling of chargeable goods in subsection (1) of section twenty-three of the Finance (No. 2) Act, 1940 (under which such manufacturers are required to be registered), and any other reference in the enactments relating to purchase tax to such manufacturers shall include references to manufacturers whose business includes the letting out on hire of goods manufactured by them.
- (2) For the purposes of the proviso to subsection (1) of the said section twenty-three (which exempts from registration persons whose annual gross takings from sales of chargeable goods do not exceed five hundred pounds) any appropriation by a manufacturer of goods manufactured by him to the purposes of any business of letting out chargeable goods on hire shall be deemed to be a sale at a price equal to the wholesale value of the goods.
- (3) In this section references to manufacturing goods shall be construed as references to making goods or applying a process in the course of making goods.

## **9 Power to impose conditions as to use of a certificate of registration**

- (1) At the end of subsection (1) of section fourteen of the Finance Act, 1944 (which authorises the Commissioners to impose, as a condition of the holding of a certificate of registration, a requirement that security is given for payment of tax), there shall be added the words " or that he shall make representations as being the holder of a certificate of registration only in such circumstances or as respects such classes of goods as the Commissioners may from time to time direct, or both of those requirements ".
- (2) The power conferred by the foregoing subsection shall not be exercisable as respects a person who is a registered person at the date of the passing of this Act, but if before that date the Commissioners entered into any arrangement or agreement with him as to the cases in which he should make representations as being the holder of a certificate of registration, or imposed any requirement to the like effect under any practice established for the granting of certificates of registration, and the arrangement, agreement or requirement is in force at that date, subsection (1) of the said section fourteen shall apply as if that arrangement, agreement or requirement were a requirement imposed in exercise of the said power.
- (3) In subsections (1) and (2) of section fifteen of the Finance Act, 1944 (which affords relief from double charge of purchase tax in cases where a person does not hold a

certificate of registration), the references to those cases shall include references to cases where a person refrains from making a representation to obtain goods without payment of tax in pursuance of a requirement imposed on him by or under this section.

#### **10 Operations affecting tax classification to be treated as processes of manufacture**

Section twenty-three of the Finance Act, 1948 (which provides that any treatment of goods affecting their get-up which results in the goods becoming chargeable goods or becoming goods in respect of which tax is chargeable at a higher rate shall be regarded as a process of manufacture), shall apply in relation to any treatment of goods which affects the goods themselves as it applies in relation to a treatment which affects the get-up of the goods.

#### **11 Power to define the difference between processes of manufacture and repairs, maintenance or alterations**

- (1) If it appears to the Treasury necessary for the protection of the revenue that for any class of goods the difference should be defined for the purposes of purchase tax between cases where the carrying out of an operation amounts to a process of manufacture and cases where it constitutes no more than the repair, maintenance or alteration of the goods to which it is applied, they may by order specify as respects any class of goods the cases in which specified kinds of operations are to be treated for those purposes as processes applied in the course of making goods.
- (2) Subsections (3) to (5) of section twenty-one of the Finance Act, 1948 (which contain supplementary provisions about orders under that section, including provision for their submission to the House of Commons), shall apply to orders under this section and any such order shall be treated as an order extending the incidence of tax for the purposes of subsection (5) of that section (which makes such an order subject to affirmative approval by resolution of the House of Commons).

#### **12 Tax in respect of unfinished or incomplete goods**

- (1) Purchase tax in respect of any goods of a prescribed class shall be chargeable on the wholesale value thereof finished and complete, and for the purpose of section twenty-one of the Finance (No. 2) Act, 1940 (which relates to the determination of wholesale value), any goods of a prescribed class in respect of which tax is chargeable shall be assumed to be in that state.
- (2) It shall be for the Commissioners to determine for any goods of a prescribed class, or for any type of goods of a prescribed class, what processes those goods, or goods of that type, must have undergone if they are to be regarded for the purposes of this section as finished, what parts and accessories are for those purposes to be deemed to belong to such goods when complete and what type of any part or accessory deemed to belong to such goods when complete, goods lacking that part or accessory are to be treated for those purposes as having.
- (3) In exercising their powers under this section the Commissioners shall wherever practicable have regard to any standard specification for the type of goods in question and to the common practice of users of such goods.
- (4) In this section the expression " prescribed class " means mechanically propelled vehicles and such other classes of goods as the Treasury may by order direct, and the power of making orders under this section shall include power to direct that for the

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purposes of this section and any other enactment relating to purchase tax goods without a specified part or accessory shall fall within the same class as goods complete with that part or accessory, being a class which is a prescribed class or part of a prescribed class.

- (5) For the said purposes a vehicle designed to be mechanically propelled shall be deemed to be mechanically propelled, whether or not complete with an engine and other parts and accessories required for the purpose.
- (6) Subsections (3) to (6) of section twenty-one of the Finance Act, 1948 (which contain supplementary provisions about orders under that section, including power to vary and revoke and provision for their submission to the House of Commons), shall apply to orders under this section and any such order which has the effect of increasing the tax chargeable in respect of any goods shall be treated as an order increasing the rate of tax for the purposes of subsection (5) of that section (which makes such an order subject to affirmative approval by resolution of the House of Commons).
- (7) The provisions of subsection (5) of this section may be varied or revoked as if they were contained in an order under this section.
- (8) Section twenty-four of the Finance Act, 1948 (which relates to changes in the charge to tax in relation to pre-existing contracts), shall apply to any change made by or under this section in the amount of tax chargeable in respect of any goods as it applies to changes in the rate at which tax is chargeable in respect of any goods.

### **13 Valuation of goods**

- (1) Section twenty-one of the Finance (No. 2) Act, 1940 (which relates to the determination of wholesale value), shall have effect subject to the following provisions of this section.
- (2) Where the goods to be valued are goods bought by a retail trader under a chargeable purchase (whether from a wholesale merchant or from the manufacturer of the goods), or imported in pursuance of a purchase by such a trader, then, unless it appears to the Commissioners—
  - (a) that by reason of the quantity of the goods comprised in the purchase, the price payable thereunder is lower than the price which would be paid by retail traders in general for goods of the like description; or
  - (b) that the retail trader, in carrying on his business in respect of such goods, performs any of the functions usually performed by wholesale merchants, or otherwise enjoys any purchasing advantage over retail traders in general; or
  - (c) that the seller mainly sells to persons whose purchases are substantially greater than those made by the majority of retail traders,

the wholesale value of the goods as determined under the said section twenty-one shall not exceed a sum equal to the price payable under the purchase, exclusive of purchase tax and properly adjusted so as to take account of any circumstances differentiating the purchase from a sale made in the circumstances specified in the Eighth Schedule to the said Act of 1940 and of any difference between the actual state of the goods and the state in which they are to be assumed to be for the purposes of valuation.

- (3) Where the goods to be valued are not goods bought or imported as mentioned in subsection (2) of this section or, being such goods, are excluded from the operation of that subsection under paragraph (a), (b) or (c) thereof, the Commissioners shall, in determining the price which the goods would fetch on a sale made as mentioned in

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subsection (1) of the said section twenty-one, have regard to the extent to which goods of the like description are sold to retail traders in general by manufacturers as well as by wholesale merchants.

- (4) Any estimate of the amount of purchase tax chargeable in any circumstances to be made by the Commissioners for the purposes of any enactment relating to the registration of wholesale merchants and manufacturers shall be made by reference to the said section twenty-one without the amendments effected by this section.
- (5) This section shall come into force on the first day of January, nineteen hundred and fifty-five.