



Finance Act 1959

1959 CHAPTER 58

PART III

INCOME TAX

17 Charge of income tax for 1959-60

- (1) Income Tax for the year 1959-60 shall be charged at the standard rate of seven shillings and ninepence in the pound and, in the case of an individual whose total income exceeds two thousand pounds, shall be charged in respect of the excess at rates in the pound which respectively exceed the standard rate by the amounts by which the higher rates for the year 1957-58 exceeded the standard rate for that year:

Provided that the amounts of tax deductible or repayable under section one hundred and fifty-seven (pay as you earn) of the Income Tax Act, 1952, shall until the eighth day of June, nineteen hundred and fifty-nine be the same as if the standard rate were eight shillings and sixpence in the pound (any necessary correction being made on or after that day by adjusting subsequent deductions or repayments under that section or, if need be, by an assessment).

- (2) Section four hundred and eighty-six of the Income Tax Act, 1952 (tax-free payments under pre-war provisions) shall have effect as respects payments falling to be made at any time during the year 1959-60 as if in subsection (5) (which defines " appropriate fraction " as the fraction of which the denominator is twenty-nine and the numerator is twenty-nine less one for every complete sixpence in the pound by which the standard rate for the year exceeds five shillings and sixpence) for the words " twenty-nine " in each place where they occur there were substituted the words " fifty-eight ", and as if for the words " complete sixpence " there were substituted the words " complete threepence ".

18 Surtax rates for 1958-59

Income tax for the year 1958-59 shall be charged in the case of an individual whose total income exceeded two thousand pounds, at the same higher rates in respect of the excess as were charged for the year 1957-58.

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19 Alterations in reliefs

- (1) As respects the year 1959-60 and subsequent years of assessment, the Income Tax Acts shall be amended as shown in the following provisions of this section:

Provided that the amounts of tax deductible or repayable under section one hundred and fifty-seven (pay as you earn) of the Income Tax Act, 1952, before the eighth day of June, nineteen hundred and fifty-nine shall not be deemed to have been affected, but this provision shall not prevent the resulting over-deductions and under-repayments from being adjusted subsequently by means of diminished deductions or increased repayments under that section or, if need be, by an assessment.

- (2) Section two hundred and twenty of the Income Tax Act, 1952 (which provides for deductions from tax so as to produce reduced rates of tax on the first sixty pounds, the next one hundred and fifty pounds, and the next one hundred and fifty pounds of the income on which an individual bears tax after allowing for other reliefs) shall have effect as if in subsection (1) for the words " eight shillings and sixpence " in each place where they occur there were substituted the words " seven shillings and ninepence ", for the words " 6s. 3d." there were substituted the words " 6s. 0d. ", for the words " 3s. 9d." there were substituted the words " 3s. 6d. " and for the words " Is. 9d." there were substituted the words " Is. 6d. ".
- (3) In subsection (3) (old age relief) of section two hundred and eleven of the Income Tax Act, 1952, a reference to eleven-twentieths shall be substituted for the reference to three-fifths (the fraction governing the marginal relief).
- (4) In subsection (2) (relief for small incomes) of section fifteen of the Finance Act, 1952, a reference to four hundred and five pounds shall be substituted for the reference to four hundred pounds (the income limit for the marginal relief) and a reference to two-fifths shall be substituted for the reference to nine-twentieths (the fraction governing the marginal relief).
- (5) In paragraph (b) of subsection (1) (relief for persons over sixty-five with small incomes) of section thirteen of the Finance Act, 1957, a reference to nine-twentieths shall be substituted for the reference to a half (the fraction governing the marginal relief).

20 Dependent relatives

Section two hundred and sixteen of the Income Tax Act, 1952, shall have effect as if the reference to the mother being widowed included—

- (a) a reference to her living apart from her husband, and
- (b) a reference to her being a single woman, in consequence of dissolution or annulment of marriage:

Provided that no person shall by virtue of this section be entitled to less relief under the Income Tax Act, 1952, than he would be entitled to if this section had not been passed.

21 Restoration of investment allowances, and additional grant of initial allowances in certain cases

- (1) Subject to the provisions of this section, subsections (2) to (5) of section sixteen of the Finance Act, 1954 (which provide for the making of investment allowances, and in the case of investment allowances under subsections (2) to (4) thereof provide that

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the allowances are to be in lieu of initial allowances under Part X of the Income Tax Act, 1952) shall apply to expenditure incurred after the seventh day of April, nineteen hundred and fifty-nine, and accordingly section fifteen of the Finance Act, 1956 (by which investment allowances were, with certain exceptions, suspended) shall not apply to such expenditure.

- (2) An initial allowance shall be made under Part X of the Income Tax Act, 1952, in any case where it would have fallen to be made (whether in any event, or on the election of the person entitled) apart from this section but would be excluded, but for this subsection, by any of the provisions of the said section sixteen, so however that it shall be reduced—
- (a) if for industrial buildings or structures, or for machinery or plant, by two-thirds, or
 - (b) if for the construction of mining works, by one-half;
- and accordingly the enactments mentioned in the Fourth Schedule to this Act shall have effect in relation to any such case subject to the modifications set out in that Schedule.
- (3) The proviso to subsection (4) of section sixteen of the Finance Act, 1954 (by which a person incurring expenditure on the construction of mining works may elect to receive either an investment allowance or an initial allowance) shall not apply in relation to expenditure incurred after the said seventh day of April.
- (4) Where an initial allowance falls to be made under section seventeen of the Finance Act, 1956 (dredging) in respect of expenditure incurred after the said seventh day of April.—
- (a) an investment allowance equal to one-tenth of the expenditure shall be made in addition to the initial allowance, and
 - (b) the initial allowance shall be reduced from three twentieths to one-twentieth, and any provision of the Income Tax Acts applicable to initial allowances under the said section seventeen shall apply also to investment allowances under this subsection, except that an investment allowance shall not be taken into account—
 - (i) in determining under paragraph (b) of subsection (1) of that section the period for which annual allowances are to continue to be made, or
 - (ii) in determining under subsection (2) of that section the deduction to be made from the amount of the said expenditure for the purpose of calculating an additional allowance on the permanent discontinuance of the trade.
- (5) The Fifth Schedule to this Act shall have effect for the purposes of investment allowances under the foregoing subsection.
- (6) Expenditure shall not be treated for the purposes of this section as having been incurred after the said seventh day of April by reason only of any of the following provisions of the Income Tax Act, 1952 (which relate to expenditure incurred by a person for the purposes of a trade before he begins to carry it on), that is to say—
- subsection (6) of section two hundred and sixty-five,
 - subsection (2) of section two hundred and seventy-nine, or
 - subsection (1) of section three hundred and nine.

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22 Investment allowance where ship purchased before taking over from builder

- (1) Subject to the provisions of this section, where after the seventh day of April, nineteen hundred and fifty-nine, a person incurs capital expenditure on the provision of a ship the expenditure shall not be prevented from being treated for investment allowance purposes as incurred on the provision of a new asset by the property in the ship or any part thereof having previously passed to a person other than the person incurring the expenditure if the ship has not been taken over from the builder by any such other person.
- (2) The foregoing subsection shall not apply if any person other than the person incurring the expenditure has become entitled to an investment allowance in respect of the ship or would have become entitled to such an allowance by virtue of this section but for the limitation contained in the foregoing subsection to expenditure incurred after the said seventh day of April:

Provided that where such an other person has, or would have, become entitled as aforesaid as respects part only of his capital expenditure on the provision of the ship, the foregoing subsection shall apply, but the amount of expenditure in respect of which an investment allowance may be made by virtue of this section shall not exceed the amount qualifying for an investment allowance apart from any operation of the said limitation, reduced by the amount of the said part of the other person's capital expenditure.

- (3) Where rights under a contract for the provision of a ship are assigned after the ship has been begun, and either—
- (a) the assignor is a body of persons over whom the assignee has control (within the meaning assigned to that expression by subsection (1) of section three hundred and thirty-three of the Income Tax Act, 1952), or the assignee is a body of persons over whom the assignor has such control, or both the assignor and the assignee are bodies of persons and some other person has such control over both of them, or
 - (b) it appears with respect to the assignment, or with respect to transactions of which the assignment is one, that the sole or main benefit which, apart from the provisions of this subsection, might have been expected to accrue to the parties or any of them was the obtaining of an increased investment allowance,

then in relation to the making of any investment allowance falling to be made by virtue of this section no part of the consideration for the assignment shall be treated as expenditure incurred on the provision of the ship, but nothing in this subsection shall affect the consideration for a sale to the assignee of so much of the ship as is in existence before the assignment.

References in paragraph (a) of this subsection to a body of persons include references to a partnership.

- (4) The Fourteenth Schedule to the Income Tax Act, 1952 (which, where there is a sale between a buyer and a seller who are associated, makes special provision as to the price at which for income tax purposes the property is to be taken to have been sold) shall not operate so as to increase the amount of any investment allowance falling to be made by virtue of this section.
- (5) Expenditure shall not be treated for the purposes of this section as having been incurred after the said seventh day of April by reason only of subsection (2) of section two hundred and seventy-nine of the Income Tax Act, 1952 (which relates to expenditure incurred by a person for the purposes of a trade before he begins to carry it on).

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23 Purchase and sale of securities: application of ss. 24-26

- (1) Subject as hereinafter provided the three next following sections relate to cases of a purchase by a person (in those sections referred to as " the first buyer ") on or after the eighth day of April, nineteen hundred and fifty-nine, of any securities and their subsequent sale by him, the result of the transaction being that interest becoming payable in respect of the securities (in those sections referred to as " the interest") is receivable by the first buyer.
- (2) The said sections do not relate to cases where—
 - (a) the time elapsing between the purchase by the first buyer and his taking steps to dispose of the securities exceeded six months, or
 - (b) that time exceeded one month and it is shown to the satisfaction of the Commissioners having jurisdiction in the matter that the purchase and sale were each effected at the current market price, and that the sale was not effected in pursuance of an agreement or arrangement made before or at the time of the purchase.
- (3) The reference in the foregoing subsection to the first buyer taking steps to dispose of the securities shall be construed—
 - (a) if he sold them in the exercise of an option he had acquired, as a reference to his acquisition of the option,
 - (b) in any other case, as a reference to his selling them.
- (4) For the purposes of this and the three next following sections a sale of securities similar to, and of the like nominal amount as, securities previously bought (hereinafter referred to as " the original securities") shall be equivalent to a sale of the original securities, and the foregoing subsection shall apply accordingly; and where the first buyer bought parcels of similar securities at different times a subsequent sale of any of the securities shall so far as may be be related to the last to be bought of the parcels, and then to the last but one, and so on:

Provided that a person shall be under no greater liability to tax by virtue of this subsection than he would have been under if instead of selling the similar securities he had sold the original securities.
- (5) Where at the time when a trade is, or is deemed to be, set up and commenced or at the time of any relevant change within the meaning of the Third Schedule to the Finance Act, 1954 (which relates to company reconstructions) any securities form part of the trading stock belonging to the trade, those securities shall be treated for the purposes of this section as having been sold at that time in the open market by the person to whom they belonged immediately before that time and as having been purchased at that time in the open market by the person thereafter engaged in carrying on the trade; and subject to the foregoing provisions of this subsection where there is a change in the persons engaged in carrying on a trade which is not a change on which the trade is deemed to be discontinued and which is not such a relevant change as aforesaid, the provisions of this section shall apply in relation to the person so engaged after the change as if anything done to or by his predecessor had been done to or by him.
- (6) For the purposes of this and the three next following sections—
 - (a) " interest " includes a dividend ;
 - (b) " person " includes any body of persons, and references to a person entitled to any exemption from income tax include, in a case of an exemption expressed

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to apply to income of a trust or fund, references to the persons entitled to make claims for the granting of that exemption;

- (c) " securities " includes stocks and shares ;
- (d) 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, and for the purposes of this paragraph rights guaranteed by the Treasury shall be treated as rights against the Treasury.

24 Purchase and sale of securities: dealers in securities

- (1) Subject to the provisions of this section, if the first buyer is engaged in carrying on a trade which consists of or comprises dealings in securities, then in computing for any of the purposes of the Income Tax Acts the profits arising from or loss sustained in the trade the price paid by him for the securities shall be reduced by the appropriate amount in respect of the interest, as determined in accordance with the Sixth Schedule to this Act.
- (2) The foregoing subsection shall not apply if the first buyer—
 - (a) is in the opinion of the Commissioners of Inland Revenue bona fide carrying on the business of a discount house in the United Kingdom, or
 - (b) is a member of the London Stock Exchange who is recognised by the committee thereof as carrying on the business of a jobber, or
 - (c) is a member of any other stock exchange in the United Kingdom who is recognised by the committee thereof as carrying on the business of a dealer, and the securities were bought in the ordinary course of his said business and, in the case of a dealer such as is mentioned in paragraph (c) of this subsection, were securities in which he was authorised by the said committee to deal.
- (3) Subsection (1) of this section shall not apply if the purchase of the securities by the first buyer and their resale, or as the case may be the subsequent sale of similar securities, constitute a transaction which is to be left out of account in computing profits or losses by virtue of subsection (3) of section two hundred and three of the Income Tax Act, 1952 (agreements for purchase and resale of securities by dealers).
- (4) Subsection (1) of this section shall not apply if the interest is to any extent required to be brought into account under section four of the Finance (No. 2) Act, 1955, as if it were a trading receipt which had not borne tax, or would to any extent be so required to be brought into account but for the provisions of paragraph 2 of the Third Schedule to that Act (which exclude dividends at rates not unusually high payable on shares acquired during the preceding twelve months).
- (5) Subsection (1) of this section shall not apply if the securities are overseas securities bought by the first buyer on a stock exchange outside the United Kingdom in the ordinary course of his trade as a dealer in securities and the following conditions are satisfied, namely—
 - (a) the interest is brought into account in computing for the purposes of the Income Tax Acts the profits arising from or loss sustained in the trade ;
 - (b) the first buyer has not claimed, and undertakes not to claim, any relief available to him in respect of the interest under section two hundred and one

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of the Income Tax Act, 1952 (relief from tax on dividends from overseas companies who have paid United Kingdom income tax); and

- (c) where credit against income tax or profits tax would fall to be allowed in respect of the interest under section three hundred and forty-seven or three hundred and forty-eight of the Income Tax Act, 1952 (double taxation relief), the first buyer elects that credit shall not be so allowed.

In this subsection " overseas securities " means securities of the government of, or of a body of persons resident in, any country or territory outside the United Kingdom and the Republic of Ireland.

25 Purchase and sale of securities: persons entitled to exemptions

- (1) If the first buyer is entitled under any enactment to an exemption from income tax which, apart from this subsection, would extend to the interest, then subject to the provisions of this section the exemption shall not extend to an amount equal to the appropriate amount in respect of the interest, as determined in accordance with the Sixth Schedule to this Act:

Provided that if the first buyer is entitled as aforesaid and any annual payment is payable by him out of the interest, the annual payment shall be deemed as to the whole thereof to be paid out of profits or gains not brought into charge to tax, and section one hundred and seventy of the Income Tax Act, 1952, shall apply accordingly.

- (2) This section shall not apply where the exemption arises from the residence of the first buyer in the Republic of Ireland.

26 Purchase and sale of securities: traders other than dealers in securities

- (1) If the first buyer carries on a trade not falling within section twenty-four of this Act, then in ascertaining whether any or what repayment of tax is to be made to him under section three hundred and forty-one of the Income Tax Act, 1952, subsection (3) of section fifteen of the Finance Act, 1953, or paragraph 3 of the Third Schedule to the Finance Act, 1954, by reference to any loss sustained in the trade and the aggregate amount of his income for the year of assessment his income for which includes the interest, there shall be left out of account—

- (a) the appropriate amount in respect of the interest, as determined in accordance with the Sixth Schedule to this Act, and
- (b) any tax paid on that amount.

- (2) Where the first buyer is a company and carries on a trade not falling within section twenty-four of this Act or a business consisting mainly in the making of investments, then—

- (a) the appropriate amount in respect of the interest, as determined in accordance with the Sixth Schedule to this Act, shall be left out of account in determining for the purposes of section twenty of the Finance Act, 1953 (payments between associated companies in respect of losses) whether the company has any surplus for tax purposes during any period or what is the amount of that surplus ; and
- (b) if any annual payment payable by the company is to any extent payable out of the interest, that annual payment shall be deemed to that extent not to be payable out of profits or gains brought into charge to tax, and section one hundred and seventy of the Income Tax Act, 1952, shall apply accordingly.

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- (3) In sub-paragraph (3) of paragraph 5 of the Third Schedule to the Finance (No. 2) Act, 1955, after paragraph (d) (which provides, in the case of a company not engaged in carrying on a trade falling within section twenty-four of this Act, for deducting certain amounts from income in determining whether a dividend has been paid out of accumulated profits) there shall be inserted the following:—

“and

- (e) if the company is not engaged as aforesaid, but were it so engaged any reduction under section twenty-four of the Finance Act, 1959, would, or would but for subsection (3) or (4) of that section, fall to be made as respects the price paid by the company for securities (within the meaning of that section) bought by it in a year of assessment in the period, such amount as would, after deduction of income tax at the standard rate in force in that year of assessment, be equal to the amount of the reduction, so however that where the securities are of the description specified in paragraph 4 of the Sixth Schedule to that Act the amount shall be the amount of the reduction,”

in sub-paragraph (3) of paragraph 4 of that Schedule (which provides for leaving out of account, in determining the profits of a company for a given period, tax on any amount to be deducted under paragraph (d) of sub-paragraph (3) of paragraph 5 of that Schedule) after the word " (d)" there shall be inserted the words " or (e) " , and subsection (5) of section eighteen of the Finance Act, 1958 (which, in the case of companies falling within the said paragraph (d), contains modifications of the enactments relating to dividends paid out of accumulated profits) shall apply where a company satisfies the conditions specified in the new paragraph (e) set out in this subsection as it applies where a company such as is mentioned in the said paragraph (d) has received such a dividend as is mentioned therein.

- (4) In this section " company " includes any body corporate.

27 **Overseas Trade Corporations: avoidance of disqualification by holding companies**

- (1) Where a principal company not itself carrying on trade but having a subsidiary company resident in the United Kingdom satisfies the Commissioners of Inland Revenue that for any period for which the status of the principal company falls to be determined under section thirty of the Finance Act, 1957, the principal company failed apart from this section to qualify as an Overseas Trade Corporation by reason only that, in consequence of some act done by the subsidiary company of which the principal company had no previous knowledge and from which it obtained no material advantage, the principal company was excluded by the proviso to subsection (1) of section twenty-three of that Act (holding companies excluded if having subsidiaries resident in the United Kingdom which are not Overseas Trade Corporations), then if the Commissioners of Inland Revenue in their discretion so direct the act shall not prevent the principal company being treated as an Overseas Trade Corporation for that period.
- (2) The powers conferred on the Commissioners of Inland Revenue by the foregoing subsection are in addition to, and not in derogation from, the powers conferred by subsection (2) of the said section thirty (under which the Commissioners may direct to be disregarded disqualifying acts done by the company whose status is in question and disqualifying events over which that company had no control).

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- (3) This section shall be construed as one with Part IV of the Finance Act, 1957; and subsection (4) of the said section thirty (which relates to appeals) shall apply in relation to the refusal of a direction under this section as it applies in relation to the refusal of a direction under subsection (2) of the said section thirty.

28 Pension annuity business transacted in Republic of Ireland

- (1) Where an assurance company having its head office in the United Kingdom carries on business in the Republic of Ireland, and under provisions of the law of that country corresponding with section twenty-four of the Finance Act, 1956, exemption from income tax is allowable in respect of income from investments and deposits referable to pension annuity business, section four hundred and twenty-nine of the Income Tax Act, 1952 (under which income from investments of the foreign life assurance fund of an assurance company is treated for income tax purposes as if the company were not ordinarily resident in the United Kingdom) shall apply in relation to the income as if paragraph 3 of Part III of the Eighteenth Schedule to that Act (which excludes from foreign life assurance business any business transacted in the Republic of Ireland) did not have effect.
- (2) Sub-paragraph (1) of paragraph 2 of Part III of the said Eighteenth Schedule (which charges tax under Case IV or Case V of Schedule D, on profits or gains arising in the Republic of Ireland, on the full amount of the income arising in the year of assessment, whether remitted to the United Kingdom or not) shall have effect subject to the foregoing subsection.

29 Confirmation of double-taxation agreement with Republic of Ireland

- (1) The Agreement made on the fourth day of April, nineteen hundred and fifty-nine between the Governments of the United Kingdom and the Republic of Ireland relating to the Agreements set out in the Eighteenth Schedule to the Income Tax Act, 1952 (which first-mentioned Agreement is set out in the Seventh Schedule to this Act) is hereby confirmed, and, subject to the necessary steps being taken to give it the force of law in the Republic of Ireland, shall have effect accordingly.
- (2) In subsection (2) of section three hundred and forty-nine of the Income Tax Act, 1952, after the words "the second and third of the said Agreements " there shall be inserted the words " and by the Agreement set out in the Seventh Schedule to the Finance Act, 1959 "; and in paragraph 1 of Part III of the Eighteenth Schedule to the said Act of 1952 for the words " have effect", in the second place where they occur, there shall be substituted the words " are in force ".