



Finance Act 1916

1916 CHAPTER 24

PART II

INCOME TAX

24 Income tax for 1916-17

- (1) Income tax for the year beginning on the sixth day of April nineteen hundred and sixteen shall be charged at the rate of five shillings, and super-tax shall be charged, levied, and paid for that year at the same rates as those charged for the year beginning on the sixth day of April nineteen hundred and fifteen.
- (2) All such enactments relating to income tax, including super-tax, as were in force with respect to the duties of income tax granted for the year beginning on the sixth day of April nineteen hundred and fifteen shall (with the exception of section twenty of the Finance (No. 2) Act, 1915) have full force and effect with respect to any duties of income tax hereby granted.
- (3) The annual value of any property which has been adopted for the purpose either of income tax under Schedules A. and B. in the Income Tax Act, 1853, or of inhabited house duty, for the year ending on the fifth day of April nineteen hundred and sixteen, shall be taken as the annual value of such property for the same purpose for the next subsequent year; provided that this subsection—
 - (a) so far as respects the duty on inhabited houses in Scotland, shall be construed with the substitution of the twenty-fourth day of May for the fifth day of April; and
 - (b) shall not apply to the metropolis as denoted by the Valuation (Metropolis) Act, 1869.

25 Modification of relief given with respect to earned income

The following subsection shall be substituted for subsection (1) of section nineteen of the Finance Act, 1907 (which provides for the reduction of the income tax payable in

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respect of earned income), in lieu of that substituted by section four of the Finance Act, 1914, namely:—

“(1) Any individual who claims and proves in manner provided by this section that his total income from all sources does not exceed two thousand five hundred pounds, and that any part of that income is earned income shall be entitled, subject to the provisions of this section, to such relief from income tax as will reduce the amount payable on the earned income to the amount which would be payable if the tax were charged on that income at the rate of—

2s.	3d.	if the total income does not exceed five hundred pounds;
2s.	6d.	if the total income exceeds five hundred pounds and does not exceed one thousand pounds ;
3s.	Od.	if the total income exceeds one thousand pounds and does not exceed one thousand five hundred pounds;
3s.	8d.	if the total income exceeds one thousand five hundred pounds and does not exceed two thousand pounds;
4s.	4d.	if the total income exceeds two thousand pounds and does not exceed two thousand five hundred pounds.”

26 Graduation of tax on unearned income in case of incomes not exceeding 2,000l

(1) If any individual who has been assessed or charged to income tax or has paid income tax either by way of deduction or otherwise claims and proves in manner prescribed by the Income Tax Acts that his total income from all sources does not exceed two thousand pounds, he shall be entitled to the repayment of such a part of the income tax paid by him as will reduce the amount of income tax on his unearned income to the amount which would have been paid if the tax were charged on that income at the rate of—

3s.	Od.	if the total income does not exceed five hundred pounds;
3s.	6d.	if the total income exceeds five hundred pounds

4s.	Od.	and does not exceed one thousand pounds ; if the total income exceeds one thousand pounds and does not exceed one thousand five hundred pounds;
4s.	6d.	if the total income exceeds one thousand five hundred pounds and does not exceed two thousand pounds.

- (2) The relief given under this section shall be in addition to and not in derogation of any exemption, or other relief or abatement, under the Income Tax Acts, but where any such exemption, relief, or abatement is to be determined by reference to the amount of the income tax on any sum, the amount of the tax shall be calculated at the reduced rate.
- (3) All the provisions of the Income Tax Acts which relate to claims for exemption, relief, or abatement, or the proof to be given with respect to those claims, shall apply to claims for relief under this section and the proof to be given with respect to those claims.
- (4) An individual shall not be entitled to relief under this section in respect of any income the tax on which he is entitled to charge against any other person, or to deduct, retain, or satisfy out of any payment which he is liable to make to any other person.
- (5) Section six of the Finance Act, 1914, shall cease to have effect.

27 Additional income tax on securities which the Treasury are willing to purchase

- (1) In addition to any other income tax or super-tax charged under this or any other Act, there shall, subject to the provisions of this section, be charged, levied, and paid for the year beginning on the sixth day of April, nineteen hundred and sixteen, in respect of any part of the income of any person to which this section applies an additional duty of income tax at the rate of two shillings for every pound of that part of the income.

The income to which this section applies is the income derived from securities which are for the time being included in the Treasury special list as denned by this section, while those securities are so included ; and the income shall, for the purposes of this section, be deemed to be derived at the time when the interest or dividends payable in respect of the securities become payable.

- (2) The additional duty under this section shall not be charged on any income derived before the twenty-ninth day of July, nineteen hundred and sixteen.
- (3) A person shall be entitled to relief from the additional duty imposed by this section—
 - (a) in respect of income derived between the date of the publication of the Treasury special list and a date twenty-eight days thereafter if the securities are during that period offered to the Treasury and ultimately become at the absolute disposal of the Treasury ; and
 - (b) in respect of income derived from any securities included in the Treasury special list after the securities have been placed at the absolute disposal of the Treasury ; and

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- (c) in respect of income derived from any such securities after a person has placed the securities conditionally at the disposal of the Treasury, if the securities ultimately become at the absolute disposal of the Treasury without unreasonable delay on the part of that person; and
- (d) in respect of income derived from any such securities whether they ultimately become at the absolute disposal of the Treasury or not, if it is shown to the satisfaction of the Treasury that any delay in placing or failure to place those securities at the disposal of the Treasury has arisen from circumstances beyond the control of the holders of the securities; and
- (e) in respect of income derived from any such securities held, in any country outside the United Kingdom, by persons who are not domiciled in the United Kingdom, or by trustees who are prevented by the laws of such other country or by the terms of their trust from placing the securities at the disposal of the Treasury, and are not entitled to the benefit of any indemnity conferred by Act of Parliament in respect of the contravention of those terms, if the securities were so held before the twenty-ninth day of May nineteen hundred and sixteen ; or where such securities are under the jurisdiction of a court in such other country and it would be contrary to the laws of such other country to place such securities at the disposal of the Treasury; and
- (f) in respect of income derived from any such securities which are deposited with persons outside the United Kingdom as a security for a loan from those persons, or have otherwise been made security for a loan from persons outside the United Kingdom, if they were so deposited or made security before the twenty-ninth day of May nineteen hundred and sixteen, or after that date with the approval of the Treasury, and if the Treasury are satisfied that the securities cannot be released without impairing the security for the loan; and
- (g) in respect of income derived from any such securities which are proved to the Special Commissioners to be held by any company or persons concerned in trade or business in any country Outside the United Kingdom as a condition (imposed in that country) of carrying on that trade or business.

The provisions of this subsection shall apply to an offer of securities for deposit in the same manner as they apply to an offer of securities for sale, and securities when accepted for deposit shall, while so deposited, for the purposes of this subsection, be deemed to be at the absolute disposal of the Treasury.

- (4) The power under the Income Tax Acts, to require a person to make returns for the purposes of those Acts, shall include power to require him to make such returns as appear to the Commissioners of Inland Revenue to be necessary for the purpose of ascertaining whether any of the income of that person (whether or not income tax thereon is chargeable by deduction) is income to which this section applies, including such particulars as to that income as the Commissioners may require, and those Acts, including the provisions imposing penalties, shall apply accordingly.
- (5) Where any income to which this section applies is derived from securities which are held on trust by more than one trustee the securities may be placed at the disposal of the Treasury if, where there are two trustees, one trustee and the persons entitled to the income of the securities, and, where there are more than two trustees, one-half or more of the number of the trustees and the persons entitled to the income of the securities, are willing that the securities should be so placed at the disposal of the Treasury; and any action taken by such trustees or beneficiaries for the purpose of placing any such securities at the disposal of the Treasury shall, notwithstanding anything in the terms

of the trust or any rule of law to the contrary, be as valid and effectual in all respects as though all the trustees had consented thereto and had joined therein.

- (6) A person shall not be entitled to any exemption, abatement, or relief under the Income Tax Acts (other than relief depending solely on residence or domicile) in respect of the additional income tax imposed by this section, but in all other respects the provisions of the Income Tax Acts relating to persons who are to be chargeable with duty, assessments, and appeals against those assessments, and to the collection and recovery of duty, and to cases to be stated for the opinion of the High Court shall, so far as they are applicable, apply to the charge, assessment, collection, and recovery of duty under this section:

Provided that the Treasury may give directions that the additional duty imposed by this section shall, instead of being charged by deduction, be charged up to the same amount by direct assessment for the period, and in the cases mentioned in those directions, and where any such directions are given, the Income Tax Acts shall have effect accordingly.

- (7) In this section—

The expression " securities " includes stocks, shares, and other securities; and

The expression " the Treasury special list " means any list published by the Treasury in the Gazette, and for the time being in force, of securities which the Treasury are willing to purchase in connection with any arrangements for the regulation and maintenance of the foreign exchanges.

28 Continuation of relief under 5 Geo.5 c.7 s.13

- (1) Section thirteen of the Finance Act, 1914 (Session 2) (which gives relief in respect of diminution of income due to war), shall apply to income tax (including super-tax) for the Current income-tax year, but with the substitution, as regards postponed super-tax, of the first day of January nineteen hundred and eighteen for the first day of January nineteen hundred and sixteen as the date on which the postponed super-tax is to become payable.
- (2) Any payment of super-tax for the year beginning the sixth day of April nineteen hundred and fifteen or for the year beginning the sixth day of April nineteen hundred and fourteen which has been postponed under section thirteen of the Finance Act, 1914 (Session 2), as continued by section twenty of the Finance Act, 1915, or which has been postponed and further postponed under those sections, may be further postponed until the first day of January nineteen hundred and eighteen, if the individual from whom the payment is due proves to the satisfaction of the Special Commissioners that his actual income from all sources for the current income tax year is or will be less than two-thirds of the income on which he was liable to be charged to super-tax for the year beginning the sixth day of April nineteen hundred and fifteen as respects payment of super-tax for that year, and for the year beginning the sixth day of April nineteen hundred and fourteen as respects payment of super-tax for that year.

29 Relief where income of year is less than assessed income

If any individual who has been assessed or charged to income tax for the current income tax year claims and proves, in manner provided by the Income Tax Acts, that his actual income from all sources for the year of assessment is less by more than ten

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per cent. than the income on which he has been so assessed and charged, he shall be entitled to repayment of such part of any income tax paid by him, either by way of deduction or otherwise, as is equal to the difference between the amount of the tax so paid and the amount which would have been so paid if he had been assessed or charged on his actual income for the year of assessment.

30 Right of soldiers and sailors to pay reduced rates of income tax in respect of their pay

- (1) Where any person who, during the current income tax year, has served or is serving as a member of any of the naval or military forces of the Crown, or in service of a naval or military character in connection with the present war for which payment is made out of money provided by Parliament, or in any work abroad of the British Red Cross Society or the St. John Ambulance Association, or any other body with similar objects, proves that he is assessed or charged to income tax, or has paid income tax either by way of deduction or otherwise on his pay in connection with any such service, he shall be entitled to claim such relief from income tax as will reduce the amount of income tax on that pay to the amount which would have been payable if the tax were charged on that pay at the rate of—
- 9d. if his total income from all sources does not exceed three hundred pounds;
 - 1s. 3d. if his total income exceeds three hundred pounds and does not exceed five hundred pounds;
 - 1s. 9d. if his total income exceeds five hundred pounds and does not exceed one thousand pounds ;
 - 2s. 3d. if his total income exceeds one thousand pounds and does not exceed one thousand five hundred pounds ;
 - 2s. 9d. if his total income exceeds one thousand five hundred pounds and does not exceed two thousand pounds;
 - 3s. 3d. if his total income exceeds two thousand pounds and does not exceed two thousand five hundred pounds ;
 - 3s. 6d. if his total income exceeds two thousand five hundred pounds.
- (2) The relief given under this section shall, be in addition to and not in derogation of any exemption or other relief or abatement under the Income Tax Acts, and in cases where the total income does not exceed three hundred pounds shall not be subject to the reduction of exemption and abatements for which provision is made under the Finance (No. 2) Act, 1915; but relief in respect of earned income shall be given in respect of the pay by reference to the rates under this section ; and in calculating any earned income on which relief is to be -given, any deductions from earned income made under subsection (2) of section nineteen of the Finance Act, 1907, shall be made primarily from the pay.
- (3) All the provisions of the Income Tax Acts which relate to claims for exemption or relief, or the proof to be given with respect to those claims, shall apply to claims for relief under this section and the proof to be given with respect to those claims.

31 Provision as to service in the navy or army

- (1) For the purpose of any relief under the Income Tax Acts given, whether before or after the passing of this Act, to persons serving as members of the naval or military forces' of the Crown a person shall not be deemed to have served as a member of the' naval or military forces of the Crown unless he has served—

- (a) on the active list of the navy ; or
 - (b) in the army, either with the colours, or as an officer on full pay or at a rate of pay which appears to the Income Tax Commissioners concerned, after consultation with the Army Council, to be equivalent to full pay, and either out of the British Islands or for at least one month continuously in the British Islands.
- (2) For the purpose of the relief given to persons serving in certain capacities under the second paragraph of subsection (1) of section thirteen of the Finance Act, 1914 (Session 2), or section twenty-five of the Finance (No. 2) Act, 1915, relief shall not be given unless there has been some such service during the year in respect of which the relief is claimed.

32 Reduction of income tax when margin above a certain limit is small

- (1) Where owing to the fact that the total income of any person exceeds a certain limit—
- (a) he is liable to pay income tax or super-tax at a higher rate ; or
 - (b) he ceases to be entitled to any exemption or abatement; or
 - (c) he becomes entitled to a reduced exemption or abatement,
- the amount of income tax or super-tax payable by that person shall, where necessary, be reduced so as not to exceed the sum of the following amounts :—
- (i) the amount which would have been payable if his income had reached, but had not exceeded that limit; and
 - (ii) the amount by which his total income exceeds that limit.
- (2) Where income tax is charged at different rates on different parts of the total income, the deduction from total income required in calculating the maximum duty payable under this section for the purpose of bringing the total income down to the limit shall be made from that part of the total income which is taxed at the lowest rate.
- (3) All the provisions of the Income Tax Acts which relate to claims for exemption or abatement, or the proof to be given with respect to those claims, shall apply to claims for relief under this section and the proof to be given with respect to those claims.

33 Extension of relief in respect of children

Section sixty-eight of the Finance (1909-10) Act, 1910 (which gives to individuals whose total income does not exceed five hundred pounds relief from income tax in respect of children), shall, as amended by any subsequent Act, have effect as if seven hundred pounds were substituted, as the limit of income, for five hundred pounds.

34 Declaration as to the effect of section 20(1)(b) of 5 & 6 Geo.5 c.89

It is hereby declared that paragraph (b) of subsection (1) of section twenty of the Finance (No. 2) Act, 1915, does not affect the operation of section thirty-seven of that Act as respects the application of amendments made by that Act for the current income tax year, and that that paragraph is accordingly to be construed as if the words " if this section had not passed " were substituted for the words " if this Act had not passed. "

35 Collection of tax by means of stamps in certain cases

If the Commissioners of Inland Revenue make arrangements for the collection of income tax by means of stamps in any cases, they may prepare and issue any stamps required for the purpose, and the provisions (including penal provisions) of the Stamp Duties Management Act, 1891, as amended by any subsequent Act, and section sixty-five of the Post Office Act, 1908, shall apply to any such stamps.

36 Limitation of relief from income tax in respect of insurance premiums

- (1) The relief given under section fifty-four of the Income Tax Act, 1853, as amended by any subsequent enactment, shall not, as regards insurances or contracts for deferred annuities made after the twenty-second day of June nineteen hundred and sixteen, be given at a greater rate than that of three shillings in the pound; and shall not, as regards any insurance or contract for a deferred annuity, be given, notwithstanding anything in paragraph (b) of subsection (2) of section sixty-six of the Finance (1909-10) Act, 1910, for the purposes of super-tax.
- (2) The said relief shall not, as regards insurances' or contracts for deferred annuities made after the twenty-second day of June nineteen hundred and sixteen—
 - (a) be given except in respect of premiums or other payments payable on policies for securing a capital sum on death, whether in conjunction with any other benefit or not; or
 - (b) be given in respect of premiums or payments payable during the period of deferment in respect of a policy of deferred assurance :

Provided that nothing in this subsection shall affect premiums or payments payable on policies or contracts made in connection with any superannuation or boni fide pension scheme for the benefit of the employees of any employer or of persons engaged in any particular profession, vocation, trade, or business, or on any policy taken out by a teacher in a secondary school pending the establishment of a superannuation or pension scheme for those teachers.

37 Income tax relief on war insurance premiums

- (1) Section fifty-four of the Income Tax Act, 1853, as amended by any subsequent enactment, shall apply to all war insurance premiums, whether payable annually or not.
- (2) War insurance premiums shall not be taken into account in calculating the limit of one-sixth of the profits and gains under the proviso to the said section fifty-four or the limits of seven per cent. or one hundred pounds under subsection (1) of section seventeen of the Finance Act, 1915.
- (3) In this section the expression " war insurance premium " means any additional premium or other sum paid in order to extend an existing life insurance policy to risks arising from war or war service abroad, and any part of any premium or other sum paid in respect of a life insurance policy covering those risks, or either of them, which appears to the Commissioners to whom the claim for relief is made to be attributable to those risks, or either of them.

38 Amendments of law with respect to income tax on woodlands

- (1) Any person occupying woodlands who proves to the satisfaction of the Special Commissioners that those woodlands are managed by him on a commercial basis, and with a view to the realisation of profits, shall have the same right under subsection (4) of Section twenty-two of the Finance (No. 2) Act, 1915, to elect to be charged under Schedule D as a person who proves those facts to the satisfaction of the General Commissioners, but an application to prove those facts in any year in respect of the same woodlands must be made either to the General or Special Commissioners, and not to both.
- (2) Paragraph (a) of subsection (4) of section twenty-two of the Finance (No. 2) Act, 1915 (which provides that the election shall extend to all woodlands managed on the same estate), shall not apply to woodlands which- are planted or replanted after the passing of this Act, if the person occupying those woodlands gives notice to the General or Special Commissioners within a year after the time when they are so planted or replanted that they are to be treated for the purpose of that paragraph as being woodlands on a separate estate.
- (3) Section twenty-three of the Customs and Inland Revenue Act, 1890 (which gives relief to trading persons in case of loss), shall, where a person occupying woodlands" has elected to be charged to income tax in respect of those woodlands under Schedule D, apply to losses on those woodlands as it applies to losses in any trade.

39 Repayment of income tax on sums deducted from profits under Munitions of War Act, 1915

- (1) Where in calculating for the purposes of Part II of the Munitions of War Act, 1915, the profits of a controlled establishment a deduction has been allowed under that Part of that Act or rules made thereunder in respect of exceptional depreciation or obsolescence of buildings, plant, or machinery, and the sums so deducted have not been deducted or allowed in computing the amount upon which income tax has been paid in respect of those profits, there shall be allowed a repayment of income tax equal to the amount of the income tax at the rate at which that tax has been paid on the amount of the sums so deducted:

Provided that the repayment of income tax under this section—

- (a) , shall be made in respect of the income tax year which includes the end of the period of assessment in respect of which the said deductions have been allowed under the Munitions of War Act, 1915 ; and
 - (b) shall be deemed to have effected a reduction of the income tax assessment by the amount upon which income tax has been so repaid.
- (2) Any application for relief under this section shall be made to the Commissioners by whom the income tax assessment has been made, and those Commissioners upon proof of the facts to their satisfaction shall certify to the Commissioners of Inland Revenue the sum repayable, and the Commissioners of Inland Revenue shall cause repayment to be made accordingly.

40 Charging of income tax on dividends, &c, amounting to fifty shillings exactly

Section ninety-five of the Income Tax Act, 1842 (which relates to the manner of charging small dividends), shall apply to cases where the half-yearly payment on the

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annuity, dividend, or shares, amounts to fifty shillings and not more, as it applies to cases where that payment does not amount to fifty shillings.

41 Income tax on dividends on Exchequer bonds issued through the Post Office

Section three of the War Loan (Supplemental Provisions) Act, 1915 (which relates to income tax on stock inscribed in the Post Office register), shall apply as though references to interest on that stock. included references to dividends on Exchequer bonds issued through, and left in the custody of, the Post Office :

Provided that the said section as amended by this section shall not apply in any case where the total amount of stock and bonds held by any one person exceeds the nominal amount of two hundred pounds.

42 Exemption of interest under war savings certificates from income tax

The accumulated interest payable in respect of any war savings certificate issued by the Treasury through the Post Office under which the purchaser', by virtue of an immediate payment of fifteen shillings and sixpence, becomes entitled after five years to receive the sum of one pound, shall not be liable to income tax so long as the amount of the certificates held by the purchaser does not exceed the amount which an individual is for the time being authorised to hold under regulations made by the Treasury.

43 Relief in respect of Colonial income tax

If any person who has paid, by deduction or otherwise, United Kingdom income tax for the current income tax year on any part of his income at a rate exceeding three shillings and sixpence proves to the satisfaction of the Special Commissioners that he has also paid any Colonial income tax in respect of the same part of his income, he shall be entitled to repayment of a part of the United Kingdom income tax paid by him equal to the difference between the amount so paid and the amount he would have paid if the tax had been charged at the rate of three shillings and sixpence, or, if that difference exceeds the amount of tax on that part of his income at the rate of the Colonial income tax, equal to that amount.

In this section the expression " United Kingdom income tax" means income tax charged under the Income Tax Acts; and the expression " Colonial income tax" means income tax charged under any law in force in any British possession or any tax so charged which appears to the Special Commissioners to correspond to United Kingdom income tax.

44 Provision as to Government securities issued free of tax

- (1) Section forty-seven of the Finance (No. 2) Act, 1915 (which confers power on the Treasury to issue securities free of taxation in certain cases), shall, so far as income tax (including super tax) is concerned, have effect as though the reference to persons not domiciled in the United Kingdom were omitted therefrom.
- (2) Where securities issued under section forty-seven of the Finance (No. 2) Act, 1915, for the time being form part of the investments of the foreign life assurance fund of an assurance company, the income arising from those securities if applied for the purposes of that fund or reinvested so as to form part of that fund, shall not be liable to income tax.

- (3) Where the Special Commissioners are satisfied that any income arising abroad from the investments of the foreign life assurance fund of an assurance company has been remitted to the United Kingdom and invested, as part of the investments of that fund, in any securities issued under section forty-seven of the Finance (No. 2) Act, 1915, that income shall not be liable to income tax, and any income tax paid thereon shall, if necessary, be repaid to the company.
- (4) In this section the expressions " assurance company" and " foreign life assurance fund " have the same meaning as in the Finance Act, 1915.