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SCHEDULES.

NINTH SCHEDULE

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

PART II

PROVISION FOR COMPUTING CAPITAL.

1 (1) Subject to the provisions of this Part of this Schedule, the amount of the capital employed in a business (so far as it does not consist of money) shall be taken to be—

(a) so far as it consists of assets acquired by purchase on or after the commencement of the business, the price at which those assets were acquired, subject to the deductions hereafter specified;

(b) so far as it consists of assets being debts due to the person carrying on the business, the nominal amount of those debts, subject to the said deductions;

(c) so far as it consists of any other assets which have been acquired otherwise than by purchase as aforesaid, the value of the assets when they become assets of the business, subject to the said deductions.

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

(a) a deduction of any sum contributed, directly or indirectly, out of the Consolidated Fund of the United Kingdom or of Northern Ireland, or out of moneys provided by the Parliament of the United Kingdom or the Parliament of Northern Ireland, towards the acquisition of the asset;

(b) any such deductions for wear and tear or for depreciation as are authorised by the Income Tax Acts or Part I of this Schedule,

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

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

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

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

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

(a) in the case of income tax, on the first day of January in the year of assessment for which the tax is assessable;

(b) in the case of the national defence contribution or the armament profits duty, on the first day after the end of the chargeable accounting period in respect of which the contribution or duty is assessable;

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

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

Provided that where the person carrying on the business is not a body corporate, no reduction shall be treated as made in the principal of any borrowed money in respect of any investments unless those investments are mortgaged, charged or pledged as security for the repayment of that money and the interest thereon.

4 For the purpose of ascertaining the average amount of capital employed in a trade or business during any period, the profits or losses made in that period shall, except so far as the contrary is shown, be deemed—

(a) to have accrued at an even rate throughout the period; and

(b) to have resulted, as they accrued, in a corresponding increase or decrease, as the case may be, in the capital employed in the business.