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SCHEDULES.

SEVENTH SCHEDULE

PROVISIONS AS TO RELIEF FROM INCOME TAX, EXCESS PROFITS TAX AND THE NATIONAL DEFENCE CONTRIBUTION BY WAY OF CREDIT IN RESPECT OF FOREIGN TAX.

Effect on computation of income of allowance of credit.

7 (1) Where credit falls to be given against income tax on any income for foreign income tax, the following provisions of this paragraph shall have effect as respects the computation, for the purposes of the United Kingdom taxes, of the amount of that income.

(2) Where the income tax payable depends on the amount received in the United Kingdom, the said amount shall be deemed to be increased by the amount of the credit.

(3) Where the last preceding sub-paragraph does not apply—

(a) no deduction shall be made in respect of foreign income tax (Whether in respect of the same or any other income) ; and

(b) where the income includes a dividend and under the arrangements foreign income tax not chargeable directly or by deduction in respect of the dividend is to be taken into account in considering whether any, and if so what, credit is to be given against income tax in respect of the dividend, the amount of the income shall be increased by the amount of the foreign income tax not so chargeable which falls to be taken into account in computing the amount of the credit; but

(c) notwithstanding anything in the preceding provisions of this sub-paragraph, where the amount of the credit is reduced by the operation of paragraph 4 of this Schedule, the amount of the income shall be reduced by the same amount.

(4) In relation to the computation of the total income of a. person for the purpose of determining the rate mentioned in paragraph 4 of this Schedule, the preceding provisions of this paragraph shall have effect subject to the following modifications—

(a) for the reference in sub-paragraph (2) to the amount of the credit there shall be substituted a reference to the amount of the foreign income tax in respect of the income (in the case of a dividend, foreign income tax not chargeable directly or by deduction in respect of the dividend being left out of account) ; and

(b) paragraphs (b) and (c) of sub-paragraph (3) shall not apply,

and subject to those modifications, shall have effect in relation to all income in the case of which credit falls to be given for foreign income tax under any arrangements for the time being in force by virtue of Part V. of this Act.

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8 Where credit for foreign excess profits tax falls to be given against excess profits tax in respect of any profits, no deduction for foreign excess profits tax (whether in respect of the same or any other profits) shall be made in computing the amount of the profits for the purposes of excess profits tax :

Provided that this paragraph shall not apply to so much of any foreign excess profits tax as is, by virtue of paragraph 6 of this Schedule, not to be allowed as a credit.