



Finance Act 1963

1963 CHAPTER 25

PART II

INCOME TAX

CHAPTER II

ABOLITION OF CHARGE ON OWNER-OCCUPIERS, TAXATION OF RENTS AND CONNECTED PROVISIONS

Abolition of Schedule A tax, and taxation of rents, etc.

14 Abolition of charge on owner-occupiers

- (1) For the purpose of removing from the charge to income tax the occupier's beneficial interest in land in the United Kingdom.—
 - (a) Schedule A shall cease to have effect; and
 - (b) the provisions in that behalf of this Chapter shall have effect for charging under a new Case of Schedule D rents and certain other receipts from such land.
- (2) The foregoing subsection has effect, as respects the year 1963-64, subject to the transitional provisions hereinafter contained.

15 Charge to income tax of profits and gains arising from land

- (1) Without prejudice to any other provisions of the Income Tax Acts directing income tax to be charged under Schedule D, tax under that Schedule shall be charged, subject to and in accordance with the provisions of this Act, on the annual profits or gains arising in respect of any such rents or receipts as follow, that is to say—
 - (a) rents under leases of land in the United Kingdom;

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- (b) rentcharges, ground annuals and feu duties, and any other annual payments reserved in respect of, or charged on or issuing out of, such land;
- (c) other receipts arising to a person from, or by virtue of, his ownership of an estate or interest in or right over such land or any incorporeal hereditament or incorporeal heritable subject in the United Kingdom:

Provided that the said rents or receipts do not include yearly interest or any payment charged to tax under section 180 (mineral rents and royalties, etc.) of the Act of 1952.

- (2) Tax charged under Schedule D by virtue of this section shall be charged under a new Case VIII of that Schedule (hereinafter referred to as " Case VIII"), and shall be charged by reference to the rents or receipts to which a person becomes entitled in the year of assessment.
- (3) In computing for the purposes of Case VIII the profits or gains arising to a person in any year of assessment, such deductions shall be made from any rents or receipts to which he becomes entitled in the year as are provided for by Schedule 4 to this Act.
- (4) Notwithstanding anything in subsection (2) of this section, where rent is payable under a lease under which the tenant is entitled to the use of furniture, and tax in respect of the payment for its use is chargeable under Case VI of Schedule D, tax in respect of the rent shall be charged under Case VI of Schedule D unless the landlord, by notice in writing to the surveyor given within two years after the end of the year of assessment, requires that this provision shall not apply.

Where notice is given under this subsection any adjustment of the liability to tax of the person giving the notice which is required in consequence thereof may be made by an additional assessment or by repayment or otherwise, as the case may require.

16 Assessment and collection of tax under Case VIII

- (1) The profits or gains arising to a person for any year of assessment which are assessable to tax under Case VIII may either be assessed in one assessment—
 - (a) in a division in which they would be assessable apart from this subsection, or
 - (b) in a division in which are situated all or any of the premises from which profits or gains so assessable may arise to him for the year of assessment,
 or may be assessed in one or more separate assessments in any division in which there are such premises, or may be assessed partly in the one way and partly in the other.
- (2) Where an assessment to tax under Case VIII for any year of assessment is made in that year.—
 - (a) it shall be made on the basis that all sources of income and all amounts relevant in computing profits or gains are the same as for the last preceding year of assessment, and
 - (b) tax shall be leviable accordingly, but any necessary adjustments shall be made after the end of the year, whether by way of additional assessment, repayment of tax or otherwise, to secure that tax is charged by reference to the rents or receipts to which the person assessed becomes entitled in the year of assessment:

Provided that if before the 1st January in any year a person delivers a statement in writing to the surveyor—

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- (i) showing that since the beginning of the last preceding year of assessment he has ceased to possess one or more sources of income chargeable under Case VIII; and
 - (ii) giving the aggregate of the rents and receipts relevant for purposes of Case VIII to which he has become or is likely to become entitled in the current year; and
 - (iii) showing that that aggregate is less than the aggregate of such rents and receipts to which he became entitled in the last preceding year, and that it would not have been less if he had not ceased to possess the said source or sources,
- then, if the surveyor is satisfied as to the correctness of the declaration, an assessment made on that person in the current year shall be made on an amount which bears to the amount arrived at under paragraph (a) of this subsection the same proportion as the said aggregate for the current year bears to the said aggregate for the last preceding year, and paragraph (b) of this subsection shall apply accordingly.
- (3) Any additional assessment under Case VIII may be made and signed by the surveyor.
 - (4) Where any tax under Case VIII is charged in respect of profits or gains arising from any land to a person who is not the occupier of the land, but the tax is not paid by that person (in this subsection referred to as " the person in default "), it may be recovered in accordance with the following provisions:—
 - (a) subject to the following paragraph, the collector may from time to time by notice in writing, in such form as may be prescribed by the Commissioners of Inland Revenue, require any lessee of the land or any part thereof whose interest is derived (directly or indirectly) from that held by the person in default (in this subsection referred to as " a derivative lessee ") to make to him payment, on the date or dates specified in the notice, of such sum or sums as may be required to satisfy the tax;
 - (b) the sum demanded from a derivative lessee to be paid during any period shall not exceed the amount of the rent or other payments arising out of the land which becomes due from him at the end of the period and payable to the person in default or to another derivative lessee;
 - (c) in default of payment by a derivative lessee of any amount duly demanded of him under this subsection, that amount may be recovered from him in like manner as if he had been charged with tax of that amount;
 - (d) where any sum on account of tax has been collected from a derivative lessee in pursuance of this subsection, he may deduct that sum from any subsequent payment arising as aforesaid and payable to the person in default or to another derivative lessee, and shall be acquitted and discharged of the amount so deducted;
 - (e) where under the foregoing paragraph, or under that paragraph as applied by this paragraph, a sum is deducted from an amount payable to another derivative lessee, that paragraph shall apply as if the sum had been collected from him under a demand made under this subsection by the collector, and where the amounts from which under that paragraph he is entitled to make deductions in respect of that sum during the following twelve months are less than that sum, he shall be entitled to recover from the Commissioners of Inland Revenue an amount equal to the difference, which shall be treated as reducing the tax recovered under this subsection.
 - (5) Where any person (hereinafter referred to as " the agent") is in receipt of rents or receipts from land on behalf of another person (hereinafter referred to as " the

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principal"), and any tax under Case VIII charged on the principal has not been paid, the collector may by notice in writing, in such form as may be prescribed by the Commissioners of Inland Revenue, require the agent to pay to the collector in or towards the satisfaction of the tax any sums from time to time received by the agent on behalf of the principal on account of rents or receipts from any land (including any sums so received which are in his hands when the notice is given) until the liability in respect of the tax has been satisfied; and the agent shall pay all such sums over to the collector accordingly and the payment shall acquit and discharge him as against the person on whose behalf he received them.

If the agent fails to comply with the requirements of a notice duly served on him, he shall be liable to a penalty not exceeding fifty pounds for each failure, non-compliance as respects sums in his hands when the notice is given, or as respects any one payment subsequently received by him, being treated as a separate failure.

- (6) Section 369 of the Act of 1952 (taxation of non-residents in name of agent) shall not apply to tax on profits or gains chargeable to tax under Case VIII, or on any of the profits or gains chargeable under Case VI of Schedule D—
- (a) in a case falling within subsection (4) of the foregoing section, or
 - (b) which arise under the terms of a lease, but to a person other than the landlord, or otherwise arise out of any disposition or contract such that if they arose to the person making it they would be chargeable under Case VIII,

where payment is made (whether in the United Kingdom or elsewhere) directly to a person whose usual place of abode is outside the United Kingdom, but section 170 of the Act of 1952 shall apply in relation to the payment as it applies to other payments being annual payments charged with tax under Schedule D and not payable out of profits or gains brought into charge to tax.

- (7) Where by virtue of the foregoing subsection the tax chargeable for any year of assessment on a person's profits or gains chargeable to tax under either or both of the Cases therein mentioned would apart from this subsection be greater than the tax which would be chargeable thereon apart from subsection (2) of this section, then on a claim in that behalf being made relief shall be given from the excess, whether by repayment or otherwise.

17 Relief for rent, etc. not paid

- (1) Where on a claim in that behalf a person proves—
- (a) that he has not received an amount which he was entitled to receive in respect of any rents or receipts on the profits or gains arising from which he would be chargeable under Case VIII, and
 - (b) if the non-receipt of the said amount was attributable to the default of the person by whom it was payable, that the claimant has taken any reasonable steps available to him to enforce payment,
 - (c) if the claimant waived payment of the said amount, that the waiver was made without consideration and was reasonably made in order to avoid hardship,

the claimant shall be treated for tax purposes for all relevant years of assessment as if he had not been entitled to the said amount, and such adjustment shall be made, by repayment or otherwise, as the case may require; but if all or any part of the said amount is subsequently received, the claimant or, if he is dead, his executors or administrators shall not later than six months thereafter give notice in writing of its receipt to the surveyor, and such re-adjustment of liability to tax (for all relevant years

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of assessment) shall be made as may be necessary and may be made at any time at which it could be made if it related only to tax for the year of assessment in which the amount, or the part of the amount, is received.

- (2) The foregoing subsection shall be deemed to be included in the third column of Schedule 6 to the Finance Act 1960 (relating to penalties on persons failing to furnish particulars or furnishing false particulars).

18 Returns, etc. for purposes of Case VIII

- (1) For the purpose of obtaining particulars of profits or gains chargeable to tax under Case VIII, the surveyor may by notice in writing require—

- (a) any lessee, occupier, or former lessee or occupier of land (including any person having, or having had, the use of land) to give such information as may be prescribed by the Commissioners of Inland Revenue as to the terms applying to the lease, occupation or use of the land, and where any of those terms are established by any written instrument, to produce the instrument to the surveyor ;
- (b) any lessee or former lessee of land to give such information as may be so prescribed as to any consideration given for the grant or assignment to him of the tenancy;
- (c) any person who as agent manages land or is in receipt of rent or other payments arising from land to furnish the surveyor with such particulars relating to payments arising therefrom as may be specified in the notice.

- (2) The foregoing subsection shall be deemed to be included in the second column of Schedule 6 to the Finance Act 1960 (relating to penalties on persons, other than the taxpayer, failing to furnish particulars or furnishing false particulars).

19 Provisions as to repayments

The provisions of Schedule 6 to the Act of 1952 shall apply to any claim for relief under the provisions of this Chapter:

Provided that—

- (a) any such claim shall be made in such form as the Commissioners of Inland Revenue may direct and shall be delivered to the surveyor ;
- (b) where the surveyor objects to a claim, it shall be heard and determined by the Commissioners concerned in like manner as in the case of an appeal against an assessment under Schedule D, and the provisions of the Act of 1952 relating to the statement of a case for the opinion of the High Court on a point of law shall apply;
- (c) any claim to which objection is made shall, if the claimant so elects when he makes the claim, be heard and determined by the Special Commissioners.

20 Transitional provisions for Schedule A tax for 1963-64

- (1) Section 15 of this Act shall not have effect as respects tax for the year 1963-64, and—
- (a) paragraph (a) of section 14(1) of this Act shall not have effect as respects tax for that year, but
 - (b) the occupier of a unit of assessment shall not be assessed to tax under Schedule A for that year unless he is liable in respect of the unit to pay rent under a

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short lease (within the meaning of section 173 of the Act of 1952) or to make any other payment, not being one specified in the proviso to section 15(1) of this Act, on which he may deduct tax, and if so assessed shall not be assessed on any amount such that as reduced for the purpose of collection it exceeds the amount on which tax may be deducted ;

- (c) the landlord shall not be so assessed (by virtue of section 109 or 110 of the Act of 1952) on any amount such that as reduced for the purpose of collection it exceeds the greater of the two following amounts, that is to say—
- (i) the rent to which he is entitled, less any rates or other charge or composition specified in section 86(1) of the Act of 1952 (deduction for tenant's rates etc.) paid by him,
 - (ii) the amount of any payment on which tax may be deducted by him as mentioned in paragraph (b) above.

(2) Subject to the provisions of this section.—

- (a) no claim under section 101 of the Act of 1952 (maintenance claims) shall be made as respects tax for the year 1963-64 by the occupier of the unit of assessment, and
- (b) a landlord shall not be entitled under the said section 101 to repayment of tax for 1963-64 on an amount greater than the excess (if any) of the amount specified in sub-paragraph (i) above over that specified in sub-paragraph (ii) above.

(3) References in the foregoing provisions of this section to the occupier shall be construed, where different parts of a unit of assessment are the subject of separate occupations, and an immediate lessor (within the meaning of Chapter II of Part VII of the Act of 1952) is in occupation of a part, as references to the immediate lessor, but in such a case—

- (a) subsection (1)(b) of this section shall apply only (and with any necessary apportionment) as respects so much of the unit as is in the occupation of the immediate lessor, and
- (b) subsection (2)(a) of this section shall not prevent a claim by the immediate lessor in respect of so much of the cost of maintenance, repairs, insurance and management as is attributable to any part of the unit of assessment not in his occupation.

(4) Where any of the circumstances relevant to the existence or amount of liability to tax under Schedule A for the year 1963-64 are not the same at the time as at which that liability falls to be determined as at another time (whether earlier or later) in the year, the relief (if any) from such tax to be given under the foregoing provisions of this section shall be such as is appropriate having regard to the different circumstances and the proportion of the year for which they obtained ; and for the purpose of securing that any amount of tax to be levied shall be borne by the right person and in the right proportions such assessments or additional assessments, or repayments of tax, shall be made as may be just, regard being had to any arrangements made between the persons concerned.

(5) Paragraph 7 of Schedule 4 to this Act shall apply in relation to the year 1963-64 as it applies in relation to subsequent years, but with the substitution for sub-paragraph (1) of the following sub-paragraph:—

“(1) Where this paragraph applies to an estate for the year 1963-64 the owner shall be treated for the purposes of tax under Schedule A or under Chapter

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II of Part VII of the Act of 1952 (excess rents) as if he were not the occupier of any part of the estate occupied by him, and as if—

- (a) in relation to a part of the estate which for any period in the year is not comprised in a lease under which he is the landlord, he were entitled under a lease of that part to rent for the said period, becoming due from day to day, at a rate per annum equal to the annual value of that part ascertained in accordance with Schedule 5 to this Act; and
- (b) in relation to a part of the estate which for any period in the year is comprised in a lease under which he is the landlord, the rent, so far as it relates to that part, were at a rate per annum not less than the annual value of that part ascertained in accordance with the said Schedule 5.”,

but as respects any period during which the sub-paragraph (1) hereinbefore contained does not exclude the operation of subsection (2)(a) of this section, the cost of the maintenance, repairs, insurance and management of any part of the land referred to in that sub-paragraph as the estate, being a part in the occupation of the owner, shall be disregarded in the application of section 101(4) of the Act of 1952 to the land.

- (6) Paragraph 9 of Schedule 4 to this Act, and the provisions of paragraph 10 of that Schedule modifying the application of the said paragraph 9 in certain cases, shall apply for the purpose of computing rent payable by a person in determining his liability to tax for the year 1963-64 under section 175 or 176 (excess rents) of the Act of 1952 as they apply for the purpose of computing amounts deductible for purposes of Case VIII in subsequent years.
- (7) The amounts of tax deductible or repayable under section 157 (pay as you earn) of the Act of 1952 before the 6th July 1963 shall not be deemed to have been affected by the foregoing provisions of this Chapter, but any necessary adjustment of a person's liability to tax shall be made by adjusting subsequent deductions or repayments or, if need be, by an assessment.

21 Cost of maintenance, repairs, insurance and management for 1963-64

- (1) In the case of any person who became the owner of a unit of assessment during the year 1963-64, an allowance under section 101 of the Act of 1952 in respect of the unit of assessment for that year shall be computed as if that section required the cost of maintenance, repairs, insurance and management to be ascertained on the basis of the actual cost in the year instead of according to the average of the preceding five years, and as if subsection (2) of that section (by virtue of which " maintenance" includes the replacement of farm buildings, etc.) were omitted.
- (2) The foregoing provisions of this section shall apply in relation to section 176(1) (g) of the Act of 1952 (deduction for maintenance etc. in taxing excess rents under certain short leases) as they apply in relation to section 101 of that Act, but with the substitution—
 - (a) for references to a unit of assessment of references to land in respect of the excess rents for which the person in question is chargeable to tax under the said section 176, and
 - (b) for the reference to an owner of a reference to a lessor.

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Provisions as to premiums, etc.

22 Treatment of premiums, etc. as rent

- (1) Where the payment of any premium is required under a lease, or otherwise under the terms subject to which a lease is granted, and the duration of the lease does not exceed fifty years, the landlord shall be treated for the purposes of the Income Tax Acts as becoming entitled, when the lease is granted, to an amount by way of rent (in addition to any actual rent) equal to the amount of the premium reduced by one-fiftieth of that amount for each complete period of twelve months (other than the first) comprised in the duration of the lease.
- (2) Where the terms subject to which a lease is granted impose on the tenant an obligation to carry out any work on the premises, the lease shall be deemed for the purposes of this section to have required the payment of a premium to the landlord (in addition to any other premium) of an amount equal to the amount by which the value of the landlord's estate or interest, immediately after the commencement of the lease, exceeds what its then value would have been if the said terms did not impose that obligation on the tenant:

Provided that this subsection shall not apply in so far as the obligation requires the carrying out of work payment for which would, if the landlord and not the tenant were obliged to carry it out, be deductible from the rent under Schedule 4 to this Act.
- (3) Where, under the terms subject to which a lease is granted, a sum becomes payable by the tenant in lieu of the whole or a part of the rent for any period, or as consideration for the surrender of the lease, the lease shall be deemed for the purposes of this section to have required the payment of a premium to the landlord (in addition to any other premium) of the amount of that sum; but—
 - (a) in computing tax chargeable by virtue of this subsection in respect of a sum payable in lieu of rent, the duration of the lease shall be treated as not including any period other than that in relation to which the sum is payable;
 - (b) notwithstanding anything in subsection (1) of this section, rent treated as arising by virtue of this subsection shall be deemed to become due when the sum in question becomes payable by the tenant.
- (4) Where, as consideration for the variation or waiver of any of the terms of a lease, a sum becomes payable by the tenant otherwise than by way of rent, the lease shall be deemed for the purposes of this section to have required the payment of a premium to the landlord (in addition to any other premium) of the amount of that sum; but in computing tax chargeable by virtue of this subsection the duration of the lease shall be treated as not including any period which precedes the time at which the variation or waiver takes effect or falls after the time at which the variation or waiver ceases to have effect, and notwithstanding anything in subsection (1) of this section rent treated as arising by virtue of this subsection shall be deemed to become due when the contract providing for the variation or waiver is entered into.
- (5) Where a payment falling within subsection (1), (3) or (4) of this section is due to a person other than the landlord, no charge to tax shall arise under that subsection, but any amount which would otherwise fall to be treated as rent shall be treated as profits or gains of that other person chargeable under Case VI of Schedule D:

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Provided that where the amount relates to a payment falling within the said subsection (4) it shall not be so treated unless the payment is due to a person connected with the landlord.

- (6) Where an amount by reference to which a person is chargeable to tax by virtue of this section is payable by instalments, he may, before the expiration of the year of assessment following that in which he becomes entitled to the first such instalment, by notice in writing to the surveyor claim that the tax chargeable by reference to that amount shall, instead of being computed in accordance with the foregoing provisions of this section, be computed as if each instalment were rent payable under the lease or, in the case of instalments payable to a person other than the landlord, or payable to a person after he has ceased to be the landlord, were an annual profit or gain chargeable to tax under Case VI of Schedule D, and where a claim is so made all such additional assessments, alterations of assessments and repayments of tax shall be made as may be necessary.
- (7) Section 16(2) of this Act shall not apply in relation to amounts which in computing profits or gains under Case VIII are relevant only by virtue of the foregoing provisions of this section.
- (8) Where by virtue of this section a person is treated as becoming entitled in the year 1963-64 to any rent in respect of a unit of assessment, the computation under section 175(1) (excess rents) of the Act of 1952 of the amount which would have been the amount of the assessment of the unit for the purposes of Schedule A, as reduced for the purpose of collection, if the annual value had been determined (having regard to that rent) as therein mentioned shall be made without increasing, on account of that rent, the amount by which the assessment would have been reduced for the purpose of collection.

23 Charge on assignment of lease granted at undervalue

- (1) Where the terms subject to which a lease of a duration not exceeding fifty years was granted are such that the grantor, having regard to values prevailing at the time it was granted, and on the assumption that the negotiations for the lease were at arm's length, could have required the payment of an additional sum (hereinafter referred to as "the amount foregone") by way of premium, or additional premium, for the grant of the lease, then, on any assignment of the lease for a consideration—
 - (a) where the lease has not previously been assigned, exceeding the premium (if any) for which it was granted, or
 - (b) where the lease has been previously assigned, exceeding the consideration for which it was last assigned,the amount of the excess, in so far as it is not greater than the amount foregone reduced by the amount of any such excess arising on a previous assignment of the lease, shall in the same proportion as the amount foregone would under section 22(1) of this Act have fallen to be treated as rent if it had been a premium under the lease, be treated as profits or gains of the assignor chargeable to tax under Case VI of Schedule D.
- (2) If there is submitted to the surveyor, by the grantor or any assignor or assignee of the lease, a statement showing whether or not a charge to tax arises or may arise under this section, and if so the amount on which the charge arises or may arise, then if the surveyor is satisfied as to the accuracy of the statement he shall certify the accuracy thereof.

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24 Charge on sale of land with right to reconveyance

- (1) Where the terms subject to which an estate or interest in land is sold provide that it shall be, or may be required to be, reconveyed at a future date to the vendor or a person connected with him, the vendor shall be chargeable to tax under Case VI of Schedule D on any amount by which the price at which the estate or interest is sold exceeds the price at which it is to be reconveyed or, if the earliest date at which, in accordance with those terms, it would fall to be reconveyed is a date two years or more after the sale, on that excess reduced by one-fiftieth thereof for each complete year (other than the first) in the period between the sale and that date.
- (2) Where under the terms of the sale the date of the reconveyance is not fixed, then—
 - (a) if the price on reconveyance varies with the date, the price shall be taken for the purposes of this section to be the lowest possible under the terms of the sale;
 - (b) the vendor may, before the expiration of six years after the date on which the reconveyance takes place, claim repayment of any amount by which tax assessed on him by virtue of this section exceeded the amount which would have been so assessed if that date had been treated for the purposes of this section as the date fixed by the terms of the sale.
- (3) Where the terms of the sale provide for the grant of a lease directly or indirectly out of the estate or interest to the vendor or a person connected with him, this section shall apply as if the grant of the lease were a reconveyance of the estate or interest at a price equal to the sum of the amount of the premium (if any) for the lease and the value at the date of the sale of the right to receive a conveyance of the reversion immediately after the lease begins to run :

Provided that this subsection shall not apply if the lease is granted, and begins to run, within one month after the sale.

25 Provisions supplemental to ss. 22 to 24

- (1) Paragraph 8 of Schedule 4 to this Act, and the provisions of paragraph 10 of that Schedule modifying the application of the said paragraph 8 in certain cases, shall have effect for reducing or removing a charge to tax imposed otherwise than under Case VIII by virtue of any of the three foregoing sections (excluding section 22(6)) as they have effect in relation to a charge to tax imposed under Case VIII; and the provisions of Schedule 6 to this Act shall have effect for giving relief, on a claim being made by him in that behalf, from any increase in an individual's liability to tax which is attributable to amounts being treated by virtue of any of the three foregoing sections (excluding section 22(6)) as receipts for a single year of assessment rather than as receipts for the period in relation to which they are chargeable.
- (2) Sections 16(6), 17 and 18 of this Act shall apply in relation to sums chargeable to tax under Case VI of Schedule D by virtue of any provision of the three foregoing sections as they apply to profits or gains chargeable to tax under Case VIII.
- (3) In relation to amounts which by virtue of any provision of the three foregoing sections would, in the case of a person resident in the Republic of Ireland and not resident in the United Kingdom, be included in his income if he were not resident in the Republic of Ireland, Chapter IV (prevention of tax avoidance by means of transactions resulting in the transfer of income to persons abroad) of Part VIII of the Act of 1952 shall apply as if his income included those amounts and as if references to an individual included

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references to any person, but shall so apply as if subsection (3) of section 412 (which provides relief for certain transactions) were omitted.

- (4) For the purposes of section 346 (loss relief under Case VI of Schedule D) of the Act of 1952, a loss sustained in a transaction falling within any of the three foregoing sections shall be disregarded.
- (5) In ascertaining for the purposes of the three foregoing sections the duration of a lease, the following provisions shall have effect:—
- (a) where the terms of the lease include provision for the determination thereof by notice given either by the landlord or by the tenant, the lease shall not be treated as granted for a term longer than one ending at the earliest date on which it could be determined by notice;
 - (b) where any of the terms of the lease (whether relating to forfeiture or to any other matter) or any other circumstances render it unlikely that the lease will continue beyond a date falling before the expiration of the term of the lease, the lease shall not be treated as having been granted for a term longer than one ending on that date:

Provided that where the duration of a lease falls to be ascertained after a date on which the lease has for any reason come to an end, the duration shall be taken to have extended from its commencement to that date, and where the duration falls to be ascertained at a time when the lease is subsisting the provisions of the foregoing paragraphs shall be applied in accordance with circumstances prevailing at that time.

- (6) Nothing in the three foregoing sections shall apply in relation to a lease granted or an estate or interest in land sold before the beginning of the year 1963-64 or in pursuance of a contract entered into before the 4th April 1963:

Provided that section 22(4) of this Act shall apply to the variation or waiver of any terms of a lease (not being a variation or waiver made in pursuance of a contract entered into before the 4th April 1963) notwithstanding that the lease was granted before the beginning of the year 1963-64.

- (7) In relation to Scotland the expression " term" in this section, where referring to the duration of a lease, means " period ".

Miscellaneous

26 Mines, quarries and other concerns

- (1) Profits or gains arising out of land in the case of any concern specified in Schedule 7 to this Act shall be charged to tax under Case I of Schedule D.
- (2) The foregoing subsection shall not apply to tax for the year 1963-64, but in relation to tax for that year the concerns specified in the proviso to paragraph 1 of Schedule A (mining and other concerns the profits of which are charged under Case I of Schedule D) shall include quarries of sand or gravel, sand pits, gravel pits and brickfields.

27 Collection of outstanding Schedule A tax

Where any assessment to tax under Schedule A falls to be made after the end of the year 1963-64, the assessment may be made on any person liable to bear any of the tax, to the extent of the amount to be borne by him, as if to that extent he were assessable in

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respect thereof under section 110 of the Act of 1952 (landlord's option to be assessed in lieu of occupier); and where such an assessment is made subsections (3) and (4) of that section (payment of tax by occupier, and deduction of amount paid from rent) shall apply, but not so as to authorise recovery, from a person not liable (apart from this provision) to bear the tax, of tax which he cannot deduct from rent payable to a person so liable.

28 Amendments as to Schedule B

- (1) In paragraph 1 of Schedule B (which specifies the lands which are to be charged to tax under Schedule B) for the words from " all lands " to the end of the paragraph there shall be substituted " woodlands in the United Kingdom managed on a commercial basis and with a view to the realisation of profits, so however that this paragraph has effect subject to the right given by section 125 of this Act to elect for assessment under Schedule D " ; and paragraphs 3 to 5 of Schedule B shall cease to have effect.
- (2) Annual value for the purposes of Schedule B shall be determined in accordance with the provisions set out in Schedule 5 to this Act (being provisions corresponding with the provisions enacted for determining gross value for rating purposes), but as if the land, instead of being woodlands, were let and occupied in its natural and unimproved state, so however that where a person is in occupation of land chargeable to tax under Schedule B for part only of the year, or where land in a person's occupation is so chargeable to tax for part only of a year, the value by reference to which he is chargeable under Schedule B shall be the appropriate proportion of the value determined as aforesaid.
- (3) Profits or gains arising in any year of assessment from payments for any easement over or right to use any land made to the person who occupies the land shall not be excluded from the charge to tax under Case VIII by reason only that he is chargeable with respect to the land under Schedule B, but shall be treated for purposes of Case VIII as limited to the amount (if any) by which they exceed the assessable value of the land or, as the case may be, by which they exceed such proportion of that value as corresponds to the proportion of the year for which he occupies the land.
- (4) Any assessment to tax under Schedule B made after the end of the year 1963-64 as respects land in England or Wales or in Scotland may be made either in any division where the person assessed is engaged in a trade, profession, or vocation or in which he ordinarily resides, or in any division where the land is situated, and an assessment made in pursuance of the provisions of this subsection shall be valid and effectual notwithstanding the subsequent removal of the person assessed from the division in which he is assessed.

29 Cases I and II of Schedule D: amendments in relation to land

- (1) In computing profits or gains under Case I or Case II of Schedule D no deduction shall be made in respect of the annual value of land occupied for the purpose of the trade, profession or vocation; and section 136 of the Act of 1952 (which allows such deductions in the case of land separately assessed and charged under Schedule A) shall cease to have effect:

Provided that the provisions of Schedule 8 to this Act shall have effect for allowing deductions, in the cases there provided, by reference to deductions which would have fallen to be made if the said section 136 had applied for the years 1963-64 and 1964-65.

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- (2) Section 137(n) of the Act of 1952 (prohibition of deduction of rent and certain other payments, being payments made subject to deduction of tax) shall not apply to payments in relation to land made in respect of periods ending on or before the 5th April 1964, and in making any deductions permitted by this subsection the amount of the payment shall be taken to be the gross amount thereof :

Provided that—

- (a) this subsection shall not apply to any payment to which section 180 (mineral rents and royalties, etc.) of the Act of 1952 applies;
 - (b) the aggregate amount of the deductions permitted by this subsection as respects any land in computing profits or gains for the year 1963-64 shall not exceed the assessment of the land for that year under Schedule A, as reduced for the purpose of collection.
- (3) Where, in relation to any land used in connection with a trade, profession or vocation.
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- (a) tax has become chargeable under section 22 (except subsection (6)), 23 or 24 of this Act on any amount (disregarding any reduction in that amount under paragraph 8 of Schedule 4 to this Act), or
 - (b) tax would have become so chargeable on that amount but for the operation of section 22(6) of this Act or the said paragraph 8, or but for any exemption from tax,
- the provisions of Schedule 9 to this Act shall have effect, in the cases there provided, for allowing deductions calculated by reference to that amount in computing the profits or gains of the trade, profession or vocation.
- (4) Where during a period in the five years ending with the year 1962-63 any premises were occupied by a person for the purposes of a trade, profession or vocation carried on by him, and payments relating to the premises made by him during that period in respect of maintenance, repairs or insurance were not deducted in computing the profits or gains of the trade, profession or vocation chargeable under Case I or II of Schedule D, he shall be entitled to a deduction in computing those profits or gains for the year 1963-64 of any amount by which the aggregate of the payments exceeds the aggregate of so much of the relief which was or, on a claim in that behalf, could have been allowed to him under sections 99 to 101 of the Act of 1952 as related to the premises and is attributable to any part of the said period.
- (5) In computing the profits or gains of a trade of dealing in land, any trading receipt falling within subsection (1), (3) or (4) of section 22 of this Act shall be treated as reduced by the amount on which tax is chargeable by virtue of that section.
- (6) In a case falling within section 22(6) of this Act.—
- (a) if no claim is made under that subsection, the foregoing subsection shall have effect as if it provided that so much only of any instalment falling within subsection (1), (3) or (4) of section 22 of this Act shall be treated as a trading receipt as exceeds the sum which bears to the amount on which tax is chargeable by virtue of the said section 22 the proportion which the instalment bears to the sum of which it is an instalment;
 - (b) if a claim is made, the foregoing subsection shall not apply, but no part of any instalment shall be treated as a trading receipt.
- (7) In computing the profits or gains of a trade of dealing in land, any trading receipts falling within section 23 or 24 of this Act shall be treated as reduced by the amount

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on which tax is chargeable by virtue of that section, but where on a claim being made under subsection (2)(b) of the said section 24 the amount on which tax was chargeable by virtue of that section is treated as reduced this subsection shall be deemed to have applied to the amount as reduced, and such adjustment of liability to tax shall be made (for all relevant years of assessment), whether by means of an additional assessment or otherwise, as may be necessary and may be so made at any time at which it could be made if it related only to tax for the year of assessment in which the said claim is made.

30 Supplemental provisions as to annual value

- (1) Where, as respects tax for the year 1964-65 or any subsequent year, any question arises as to the annual value of land, it shall be determined by the General Commissioners for the division in which the land is situated, or if it is situated partly in one division and partly in another the General Commissioners for such one of those divisions as the person in whose case the question falls to be determined may elect; and those Commissioners shall hear and determine the question in like manner as an appeal made to them against an assessment under Schedule D, and all the provisions of the Income Tax Acts relating to such an appeal (including the provisions relating to the statement of a case for the opinion of the High Court on a point of law) shall apply accordingly with any necessary modifications.
- (2) Any person authorised in that behalf by the Commissioners of Inland Revenue may, on producing if so required evidence of his authority, at any reasonable time enter on and inspect, with a view to establishing its annual value, any land the annual value of which falls to be determined for purposes of tax for the year 1964-65 or any subsequent year.

31 Deductions in respect of tithe redemption annuities

- (1) A payment made as an instalment, or part of an instalment, of an annuity within the meaning of the Tithe Acts 1936 and 1951 shall be treated for income tax purposes as follows.
- (2) Five-sixths of the amount of the payment, but no more, shall be deducted from or set off against the income of the person making the payment for the year of assessment in which the instalment becomes payable, and tax shall be discharged or repaid accordingly.
- (3) No part of the payment shall be allowed as a deduction for the year 1963-64 under section 97 of the Act of 1952 (allowance under Schedule A for tithe annuities) or shall be included for any subsequent year among the deductions provided for by Schedule 4 to this Act.

32 Interpretation of Chapter II

- (1) In this Chapter, except where the context otherwise requires.—
 - " assignment ", in relation to Scotland, means an assignation ;
 - " lease " includes an agreement for a lease, and any tenancy, but does not include a mortgage or heritable security, and " lessee ", " lessor " and " letting " shall be construed accordingly, and " lessee " and " lessor " include, respectively, the successors in title of a lessee or a lessor;
 - " premium " includes any like sum, whether payable to the immediate or a superior landlord ;

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" reversion ", in relation to Scotland, means the interest of the landlord in the property subject to the lease;

" unit of assessment " means any land forming a unit of assessment for the purposes of Schedule A,

and paragraph 20 of Schedule 9 to the Finance Act 1962 (meaning of " connected person ") shall apply for the purposes of this Chapter.

- (2) For the purposes of this Chapter any sum (other than rent) paid on or in connection with the granting of a tenancy shall be presumed to have been paid by way of premium except in so far as other sufficient consideration for the payment is shown to have been given.
- (3) In the application of this Chapter to Scotland " premium " includes in particular a grassum payable to any landlord or intermediate landlord on the creation of a sub-lease; and in this subsection " intermediate landlord " means, where an occupying lessee is a sub-lessee, any person for the time being holding the interest of landlord under a sub-lease which comprises the property of which the occupying lessee is sub-lessee, but does not include the immediate landlord.