



# Finance Act 1963

## 1963 CHAPTER 25

### PART II

#### INCOME TAX

### CHAPTER III

#### CAPITAL ALLOWANCES

#### **33 Increase of investment allowances**

Investment allowances in respect of expenditure incurred after the 5th November 1962 (other than expenditure on the provision of a ship) shall be increased by one-half, and accordingly, in relation to expenditure incurred after that date, for references in section 16(2) and (5) of the Finance Act 1954 and section 21(4) of the Finance Act 1959 to one-tenth there shall be substituted references to three-twentieths and for references in section 16(3), (4) and (6) of the Finance Act 1954 and section 15 of the Finance Act 1957 to one-fifth there shall be substituted references to three-tenths.

#### **34 Doubling of annual allowances for industrial buildings and for dredging**

An annual allowance under section 266 of the Act of 1952 in respect of capital expenditure incurred after the 5th November 1962 on the construction of a building or structure, or under section 17 of the Finance Act 1956 in respect of capital expenditure incurred after that date on dredging, shall be equal to one twenty-fifth of the expenditure instead of (as heretofore) one-fiftieth thereof, and accordingly, as respects any such allowance, for the word "one-fiftieth" where it occurs in sections 266(1) and 268(5) of the Act of 1952 and section 17(1) of the Finance Act 1956, there shall be substituted the words "one twenty-fifth", and for the word "fiftieth" where it occurs in sections 266(2) and 267(1) of the Act of 1952 there shall be substituted the word "twenty-fifth".

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### 35 Rates of annual allowances for machinery and plant

- (1) The provisions of this section shall have effect for calculating annual allowances under Chapter II of Part )( of the Act of 1952 in respect of machinery or plant to which this section applies, that is to say new machinery or plant capital expenditure on the provision of which was incurred after the 5th November 1962; and such machinery or plant shall continue to be treated as machinery or plant to which this section applies notwithstanding any sale of it or other change of circumstances.
- (2) Where, for any year of assessment, an annual allowance in respect of machinery or plant to which this section applies falls to be computed in accordance with section 281 (normal method) of the Act of 1952 by reference to a percentage established before the year 1963-64 under that section, the amount of the allowance resulting from the application of that percentage—
  - (a) where it is less than fifteen per cent. of the relevant capital amount, shall be increased so as to equal fifteen per cent. of that amount; or
  - (b) where it is between fifteen and twenty per cent. of the relevant capital amount, shall be increased so as to equal twenty per cent. of that amount; or
  - (c) where it is less than twenty-five but not less than twenty per cent. of the relevant capital amount, shall be increased so as to equal twenty-five per cent. of that amount.
- (3) Where for the year 1963-64 or a subsequent year of assessment a percentage established before the year 1963-64 under the said section 281 falls to be redetermined or a percentage falls to be determined under that section for a new class of machinery or plant, the percentage shall for the purpose of its application to machinery or plant to which this section applies be redetermined or determined, and Chapter II of Part )( of the Act of 1952 shall thereafter apply in relation to machinery or plant of the class in question to which this section applies, as if, instead of requiring the annual allowance to be five-fourths of the percentage therein specified of the relevant capital amount, the said section 281 required it to be a percentage of that amount determined by the Commissioners of Inland Revenue by reference to the anticipated normal working life of machinery or plant of the class in question, being such a percentage as is mentioned below, that is to say—
  - (a) where that life is eighteen years or more, fifteen per cent.; or
  - (b) where that life is less than eighteen but not less than fourteen years, twenty per cent.; or
  - (c) where that life is less than fourteen years, twenty-five per cent.
- (4) Where a percentage has been determined for a year of assessment under the foregoing subsection and is not for any later year superseded by a subsequent determination, it shall be treated as if it had been determined for that later year also.
- (5) In deciding, as respects a class to which a percentage established before the year 1963-64 under the said section 281 applies, whether or not, for the purposes of machinery or plant to which this section applies, a redetermination of the percentage is necessary, the amount of the percentage as falling to be adjusted, that is to say as increased by one quarter and further increased, where so required, under subsection (2) of this section, shall be treated as if it were a percentage determined in accordance with subsection (3) of this section:

Provided that where the percentage so established, as increased by one quarter, is greater than the percentage mentioned in paragraph (c) of the said subsection (3), this subsection shall apply as if that greater percentage were instead so mentioned.

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- (6) Subsections (2) to (5) of this section shall apply in relation to allowances falling to be computed in accordance with section 282 (alternative method) of the Act of 1952 as if references to section 281 of that Act were references to that section, and as if for any reference to fifteen, twenty or twenty-five per cent. there were substituted a reference to six and one quarter, eight and one half or eleven and one quarter per cent. respectively.
- (7) If, in relation to any machinery or plant to which this section applies, a direction falls to be made under section 285 (adjustments of annual allowances in cases of abnormal use) of the Act of 1952 for the year 1963-64 or any subsequent year of assessment, the anticipated normal working life of the machinery or plant shall be ascertained as though it were used throughout its working life in the manner in which and to the extent to which it is used in the year in question, and the annual allowance in respect of the machinery or plant for that year shall be calculated as, by virtue of subsection (3) of this section (or by virtue of that subsection as applied by the foregoing subsection), it would be if the relevant percentage for machinery or plant of that class fell to be redetermined for that year and its anticipated normal working life were as so ascertained.
- (8) Where, in the case of machinery or plant of any class, annual allowances for the year 1962-63 or any earlier year of assessment falling to be computed in accordance with section 281 or 282 of the Act of 1952 were computed by reference to a percentage which, though not determined or deemed to have been determined by the Commissioners under that section, was commonly treated as if it had been so determined, that percentage shall, notwithstanding that a percentage is after the commencement of this Act so determined for that year, be regarded for the purposes of annual allowances under Chapter II of Part I of that Act for the year 1963-64 or any subsequent year of assessment in respect of machinery or plant of that class to which this section applies as the percentage so determined for the year 1962-63 or that earlier year, as the case may be.
- (9) In relation to machinery or plant of any class, references in this section to a percentage established before the year 1963-64 shall be construed as references to a percentage established by a determination made or deemed to have been made under section 281(2) or, as the case may be, section 282(2) of the Act of 1952 and applying for the year 1962-63 to that class, and references to the anticipated normal working life of the machinery or plant shall be construed in accordance with section 281(6) or, as the case may be, section 282(6) of that Act.
- (10) In section 283 of the Act of 1952 (which provides for a change from the normal method of computing annual allowances to the alternative method), in subsection (1)(b), for the words " the percentage mentioned in subsection (2) of the last preceding section " there shall be substituted the words " the percentage that would otherwise apply ".
- (11) Nothing in this section shall affect the operation of section 284 of the Act of 1952 (by which a person to whom an annual allowance is to be made in respect of machinery or plant used for working mineral deposits may elect to have the allowance computed by a special method).

### **36 Scientific research allowances**

- (1) In the case of expenditure incurred after the 5th November 1962, an allowance under section 336 of the Act of 1952 (allowances for capital expenditure on scientific research) shall be made by allowing in the first of the five years of assessment

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mentioned in that section a deduction equal to the whole of the expenditure instead of by allowing in that year a deduction equal to three-fifths of the expenditure and in each of the remaining four years a deduction equal to one-tenth of the expenditure, and accordingly, in relation to expenditure so incurred, that section shall have effect as if—

- (a) in subsection (1), for the words from " a deduction " to the end, there were substituted the words " a deduction equal to the whole of the expenditure shall be allowed in charging the profits or gains of the trade for the relevant year of assessment as defined by the following subsections ";
- (b) in subsections (2) and (4), for the words " the five years shall be that and the next four years ", there were substituted the words " the relevant year of assessment shall be that year "; and
- (c) in subsection (3), for the words from " the five years " to the end, there were substituted the words " the relevant year of assessment shall be the year of assessment next following that in which the trade was set up and commenced. ",

and section 16(6)(a) of the Finance Act 1954 (which provides for an investment allowance to be made only for the first year of assessment for which an allowance under the said section 336 falls to be made) shall not have effect.

- (2) The said section 336, as amended by the foregoing subsection, shall have effect in relation to expenditure incurred after the 5th November 1962 as if the following subsection were inserted at the end:—

“(5) If the expenditure is incurred during the year of assessment in which the trade is permanently discontinued, the relevant year of assessment shall be that year.”

- (3) In the case of an asset representing expenditure incurred after the 5th November 1962, Part )I of the Act of 1952 shall apply as if, in section 337 thereof, subsection (1) (which restricts allowances where an asset ceases to be used for scientific research) were omitted and the following were substituted for subsection (2):—

“(2) Where an asset representing scientific research expenditure of a capital nature incurred by the person carrying on a trade ceases to be used by that person for scientific research related to that trade and is then or thereafter sold by him—

- (a) if the sale occurs in or after the year of assessment for which an allowance in respect of the expenditure is made under the last preceding section, then—

- (i) the sum by which the aggregate of the proceeds of sale and the amount of the allowance exceeds the amount of the expenditure, or (if it is less than that sum) the amount of the allowance, shall be treated as a trading receipt of the trade accruing at the time of the sale or, if the sale occurs on or after the date on which the trade is permanently discontinued, accruing immediately before the discontinuance; or

- (ii) if, by reason of the operation of section 21(4) of the Finance Act 1954 (which requires demolition costs to be treated as expenditure on an asset), the said aggregate is less than the amount of the expenditure, a deduction equal to the difference shall, unless the asset was used for other purposes after it ceased to be used for scientific research related to the trade, be allowed in charging the profits or gains of the trade for the year of assessment in which the sale occurs or, if the sale

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occurs on or after the date on which the trade is permanently discontinued, for the last year of assessment in which the trade is carried on before the discontinuance;

- (b) if the sale occurs before the year of assessment for which an allowance in respect of the expenditure would fall to be made under the last preceding section, that allowance shall not be made, but if the proceeds of sale are less than the expenditure a deduction equal to the difference shall be allowed in charging the profits or gains of the trade for the year of assessment in which the sale occurs:

Provided that no amount shall be allowed or charged by virtue of this subsection in respect of any sale if the sale gives rise to a balancing allowance or balancing charge under Chapter I or II of Part ( of this Act”.

### **37 Annual allowances for mineral depletion in the United Kingdom**

- (1) Subject to the provisions of this section, where, for the purposes of a trade carried on or about to be carried on by him, a person incurs capital expenditure on the acquisition of a mineral asset the acquisition of which entitles him to work a mine, oil well or other source of mineral deposits of a wasting nature in the United Kingdom, and the trade consists of or includes the working of that source, he shall be entitled for any year of assessment the basis period for which ends after the incurring of the expenditure to an annual allowance in respect of the expenditure.
- (2) Subject as aforesaid, the annual allowance for a year of assessment shall be equal to the fraction mentioned below of the royalty value of the output in the basis period for the year from the source to which the expenditure relates, that is to say—
- (a) where the first working of the source after the expenditure was incurred was less than ten years before the end of that basis period, one-half ;
- (b) where that first working was less than twenty but not less than ten years before the end of the basis period, one-quarter;
- (c) in any other case, one-tenth.
- (3) An annual allowance under this section in respect of any expenditure shall not be made to a person for a year of assessment unless the amount of the expenditure exceeds the aggregate of any allowances under this section made to him for previous years in respect of the expenditure together with any capital sums accruing to him in or before the basis period for the year by virtue of his acquisition of the mineral asset in question, and where made shall not be greater than the amount of the excess; and for this purpose there shall be deemed to have been made for years preceding the year 1963-64 such annual allowances as would have fallen to be made if this section had always had effect.
- (4) Where in the basis period for any year of assessment a person ceases to work the source to which capital expenditure incurred by him relates and, apart from this and the foregoing subsection, an annual allowance under this section would fall to be made to him for that year in respect of the expenditure, the allowance shall not be made, and—
- (a) if the aggregate of any allowances under this section made to him for previous years in respect of the expenditure exceeds so much of the expenditure as represents the cost of acquiring the output got by him from the source (other than output got before the 4th April 1963), a balancing charge on an amount equal to the excess shall be made on him for that year, or

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- (b) if that aggregate is less than so much of the expenditure as represents the cost of acquiring that output, a balancing allowance equal to the difference shall be made to him for that year.
- (5) So much of the capital expenditure incurred by a person on the acquisition of a mineral asset as remains after deducting—
- (a) the market value of the asset at the time the source to which the expenditure relates ceases to be worked by ' him, and
  - (b) any capital sums accruing to him before that time by virtue of his acquisition of the asset,

shall be taken for the purposes of the foregoing subsection to represent the cost of acquiring the output got by him from the source; and where part of the output was got by him before the 4th April 1963, the cost of acquiring the part got on or after that date shall be taken for those purposes to be an amount which bears to the amount so remaining the same proportion as the royalty value of the output from the source on or after that date bears to the royalty value of the whole output got by virtue of the expenditure.

In this subsection " market value ", in relation to an asset, means the price which it might reasonably be expected to fetch on a sale in the open market (whether for use by the purchaser for mining purposes or other purposes) if, before the sale, the owner of the asset had carried out such works (if any) for restoring or otherwise making good the land surface at the site of the source as, having regard to the obligations imposed on him and other relevant circumstances, he might reasonably be expected to carry out whether or not he sold the asset, but reduced by so much of that price as is attributable to matters not representing any part of the capital expenditure in question.

- (6) Where a balancing adjustment is made in respect of a person under subsection (4) of this section, or would fall to be so made if the relevant amounts were not equal, and after ceasing to work the source he carries out any works for restoring or otherwise making good the land surface at the site of the source, the cost of those works shall not be taken into account in computing for the purposes of tax under Case I of Schedule D the profits or gains of his trade unless it was assumed, in computing the market value of the asset for the purposes of the said subsection (4), that those works would be carried out.
- (7) Where any allowance under this section falls to be made to a person in or before a year of assessment in the basis period for which he ceases to work the source to which the expenditure in question relates, and in the basis period for a later year of assessment he again begins to work the source, then—
- (a) in computing, in accordance with subsection (2) of this section, the amount of an annual allowance for the later year or any subsequent year, the period between the cessation and recommencement of working shall be disregarded ; and
  - (b) in computing, for the purposes of subsection (3) or (4) of this section, the aggregate of allowances for previous years, those allowances shall be treated as reduced by the amount on which any balancing charge under paragraph (a) of the said subsection (4) has been made in respect of the expenditure.
- (8) Allowances or charges falling to be made under this section to or on any person shall be made to or on him in charging the profits or gains of his trade.
- (9) Where a person (in this subsection referred to as " the transferee ") acquires a mineral asset from another person (in this subsection referred to as " the transferor "), and the

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transferee is a body of persons over whom the transferor has control, or the transferor is a body of persons over whom the transferee has control, or both the transferee and the transferor are bodies of persons and some other person has control over both of them, the capital expenditure incurred by the transferee on the acquisition of the asset shall be taken for the purposes of this section (including this subsection) not to exceed the capital expenditure incurred by the transferor on its acquisition by him or, where the asset consists of an interest or right granted by the transferor, so much of the capital expenditure so incurred by the transferor as, on a just apportionment, is referable to that interest or right; and the expenditure incurred by the transferee shall where necessary be treated as reduced accordingly.

- (10) Where in the basis period for any year of assessment a person, having previously incurred capital expenditure on the acquisition of a mineral asset the acquisition of which entitled him to work a source, incurs for the purposes of the trade capital expenditure on the acquisition of another mineral asset the acquisition of which entitles him to work the same source, this section shall apply as respects that year and subsequent years of assessment as if the assets were one mineral asset capital expenditure on the acquisition of which was incurred by him when he incurred the first-mentioned expenditure and was of an amount equal to the aggregate of that expenditure and the further expenditure:

Provided that where the first-mentioned expenditure was incurred before the 4th April 1963 and the further expenditure on or after that date—

- (a) no greater allowances shall for the purpose of subsection (3) of this section be deemed by reason of this subsection to have been made before that date;
- (b) the cost of acquiring output got before that date, as computed under subsection (5) of this section, shall not by reason of this subsection be treated as increased.

If the asset to which the further expenditure relates extends to mineral deposits or land not included in the asset to which the first-mentioned expenditure relates, so much of it as so extends shall be treated for the purposes of this section as a separate mineral asset, and the further expenditure shall be apportioned between the assets as may be just.

- (11) References in this section to expenditure on the acquisition of an asset do not include—
- (a) expenditure to which Chapter III of Part X of the Act of 1952 applies; or
  - (b) expenditure on machinery or plant, or on any asset which has been treated for any year of assessment as machinery or plant; or
  - (c) expenditure on any building or structure,

and where expenditure was incurred on the acquisition of an asset in respect of which, for years of assessment previous to a year for which he first becomes entitled in respect of the expenditure to an allowance under this section, the person incurring the expenditure has been allowed any deductions under Schedule 9 to this Act, the expenditure shall be treated for the purposes of this section as reduced by so much of those deductions as, if he had been entitled to an allowance under this section for earlier years, would have been excluded by paragraph 5 of that Schedule.

- (12) In this section—

" mineral asset " means any mineral deposits or land comprising mineral deposits, or any interest in or right over such deposits or land ;

" output " in relation to a source, means mineral deposits lifted or extracted from the source ;

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" royalty value " in relation to any output from a source means the amount of the royalties that would be payable on that output if the person working the source were a lessee under a lease, for a term expiring immediately after that output was produced, granted to him at the date when the expenditure in question was incurred and providing for the payment of such royalties on output from the source as might reasonably have been expected to be provided for by such a lease, but reduced by the amount of any royalties actually payable in respect of that output.

- (13) Subject to the provisions of this section, the Income Tax Acts shall have effect, and this section shall be construed, as if it were contained in Part X of the Act of 1952:

Provided that the provisions of the said Part X shall apply in relation to this section subject to the following modifications, that is to say—

- (a) section 323(1) shall be deemed to require a claim for an allowance to be made in such form and accompanied by such plans and other particulars as the Commissioners of Inland Revenue may direct;
  - (b) section 325(2) (meaning of " basis period ") shall apply for the purposes of subsection (2) of this section with the omission of the proviso ;
  - (c) in section 326(1) (apportionment of the consideration on sales etc.) the reference to expenditure incurred on the provision or the purchase of property shall be deemed to include a reference to expenditure on the acquisition of a mineral asset;
  - (d) section 327 and Schedule 14 shall not apply, so how ever that paragraph 2 of that Schedule (but not paragraph 4) shall apply for determining the amount of any capital sum accruing to a person by virtue of his acquisition of a mineral asset.
- (14) The foregoing provisions of this section shall have effect only for the year 1963-64 and subsequent years of assessment but for that purpose shall apply in relation to expenditure incurred and other things done before as well as after the beginning of the year 1963-64.

### **38 Annual allowances for new machinery and plant in development districts**

- (1) Subject to the provisions of this section, annual allowances under Chapter II of Part X of the Act of 1952 in respect of capital expenditure incurred after the 3rd April 1963 on the provision of new machinery or plant (not being mobile equipment) for use in a development district for industrial purposes shall be computed in accordance with section 281 (normal method of computation) of the Act of 1952 as if, instead of requiring an annual allowance to be five-fourths of the percentage therein specified of the relevant capital amount, that section required it to be so much of that amount as is specified by the person to whom the allowance is to be made in making his claim for the allowance; and accordingly (but subject as aforesaid) neither section 35 of this Act nor section 282 (alternative method of computation), 284 (special method for mines, etc.) or 285 (adjustments in cases of abnormal use) of the Act of 1952 shall apply in relation to such allowances.
- (2) If, during the basis period for any year of assessment and within the three years beginning when it was first put into use, any machinery or plant is used—
- (a) in a place which is not included in any development district, or
  - (b) for purposes other than industrial purposes, or



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- (c) in a building or structure prevented by section 271(3) (dwelling-houses, retail shops, showrooms, hotels and offices) of the Act of 1952 from being an industrial building or structure within the meaning of Chapter I of Part X of that Act,

the foregoing subsection shall not apply to the annual allowance in respect of the machinery or plant for that or any subsequent year of assessment and shall be deemed not to have applied to the annual allowance in respect thereof for any previous year of assessment.

- (3) Subsection (1) of this section shall not apply to annual allowances falling to be made to a person in respect of expenditure on the provision of machinery or plant treated as incurred by him by virtue of section 299 of the Act of 1952 (allowances to lessees) unless the contract of letting provides that he shall or may become the owner of the machinery or plant on the performance of the contract; and where the contract so provides, but without becoming the owner of the machinery or plant he ceases to be entitled (otherwise than on his death) to the benefit of the contract so far as it relates to the machinery or plant, the said subsection (1) shall be deemed not to have applied to annual allowances falling to be made to him in respect of the machinery or plant.
- (4) Where subsection (1) of this section is to be deemed not to have applied to annual allowances for any year of assessment, there shall be made all such additional assessments and adjustments of assessments as may be necessary.
- (5) A district shall be treated as being a development district within the meaning of this section—
  - (a) if and so long as, being within Great Britain, it is for the purposes of the Local Employment Act 1960 a development district as defined by section 1(2) of that Act, or
  - (b) if it is within Northern Ireland,and a certificate given by a person authorised in that behalf by the President of the Board of Trade and stating that at the time or during the period specified in the certificate a place in Great Britain was or was not included in any development district shall be conclusive for the purposes of this section.
- (6) In relation to any new town outside a development district which draws or will draw its population mainly from the district, this section shall apply as if the new town were included in the district, and a certificate given by a person authorised in that behalf by the Minister of Housing and Local Government, or (where the new town is in Scotland) the Secretary of State, and stating whether or not a new town draws or will draw its population mainly from a specified district shall be conclusive for the purposes of this subsection.
- (7) Where a district in Great Britain ceases at any time to be a development district, this section shall apply in relation to the following machinery or plant as if the district had continued to be a development district, that is to say—
  - (a) machinery or plant which at that time is within, and has before that time been used in, the district;
  - (b) machinery or plant provided for use in the district under a contract entered into before that time ;
  - (c) machinery or plant provided for use in the district under a contract entered into within two years after that time and in the case of which the following conditions are satisfied—

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- (i) that it is for use in or about a building or structure provided for use for industrial purposes under a contract entered into after the 3rd April 1963, or is for use in conjunction with other machinery or plant so provided, and
- (ii) that its provision was required for the fulfilment of the purpose for which the building or structure or, as the case may be, the other machinery or plant was provided, and
- (iii) that contracts for the provision of a substantial proportion of the assets required for the fulfilment of that purpose had been entered into before the district ceased to be a development district.

(8) In this section—

" industrial purposes " means the purposes of a trade, or a part of a trade, which—

- (a) is carried on in a mill, factory or other similar premises, or
- (b) consists in the carrying on of a dock, water, electricity or hydraulic power undertaking (as defined by section 271(5) of the Act of 1952) or a gas, transport, inland navigation, tunnel or bridge undertaking, or
- (c) consists in the manufacture of goods or materials or the subjection of goods or materials to any process, not being a process in the construction or erection of a building or structure, or
- (d) consists in the storage—
  - (i) of goods or materials which are to be used in the manufacture of other goods or materials, or
  - (ii) of goods or materials which are to be subjected, in the course of a trade, to any process, or
  - (iii) of goods or materials which, having been manufactured or produced or subjected, in the course of a trade, to any process, have not yet been delivered to any purchaser, or
  - (iv) of goods or materials on their arrival by sea or by air into any part of the United Kingdom, or
- (e) consists in the working of any mine, oil well or other source of mineral deposits, or
- (f) consists in the distribution of hydrocarbon oils by pipe-line;

" mobile equipment " means machinery or plant having its own means of propulsion, or constructed or adapted for being towed, but does not include machinery or plant suitable for use only in or about a building or structure used for industrial purposes or any similar purposes or at a source of mineral deposits ;

" new town " means an area designated under the New Towns Act 1946 as the site of a new town.

### **39 Annual allowances for new mining expenditure in development districts**

- (1) Annual allowances under Chapter III (mines, oil wells, etc.) of Part X of the Act of 1952 in respect of capital expenditure incurred after the 3rd April 1963 on new machinery or plant provided for use or used in a development district, or on the construction of any works in a development district, shall, instead of being computed by applying the fraction specified in section 307 of the Act of 1952 to the residue of the expenditure (as defined by that section), be of an amount equal to so much of that

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residue as is specified by the person to whom an allowance is to be made in making his claim to the allowance, and subsection (3) of that section (adjustment where source ceases to be worked) shall not apply:

Provided that the foregoing provisions of this subsection shall not have effect in relation to annual allowances under the said Chapter III falling to be made to a person in respect of any expenditure if he so elects in making his claim to the first of those allowances.

- (2) Where a person incurs expenditure on new machinery or plant in connection with a source of mineral deposits, and the machinery or plant is later sold in circumstances such that the person acquiring it is by virtue of section 309(2) of the Act of 1952 deemed to have incurred expenditure in connection with the source, the expenditure so deemed to have been incurred by him shall, so far as it relates to the machinery or plant, be treated for the purposes of the foregoing subsection as capital expenditure on new machinery or plant incurred by him when the first-mentioned expenditure was incurred.
- (3) Subsections (5), (6) and (7) of the foregoing section shall apply for the purposes of this section as they apply for the purposes of that section, but so that the said subsection (7) shall apply as if references to machinery or plant included references to works expenditure on the construction of which is expenditure to which the said Chapter III applies, and as if, in the application of paragraph (c) of that subsection to such works, references to a building or structure were omitted.

#### **40 Contributions to expenditure for treatment of trade effluents**

- (1) Where a sewerage authority in the United Kingdom incurs expenditure on the provision of an asset to be used in the treatment of trade effluents, then, in relation to any contribution of a capital sum made to that expenditure, subsection (3) of section 332 of the Act of 1952 (by virtue of which, in a case where the person receiving a capital sum would, apart from subsection (1) of that section, qualify for capital allowances in respect of his expenditure, the contributor is treated for the purpose of investment, initial and annual allowances as if his contribution had been expenditure on an asset provided for the purposes of his trade) shall apply as if such allowances fell to be made to the sewerage authority in respect of the expenditure as apart from subsection (1) of that section would fall to be made if the asset were to be so used for the purposes of a trade carried on by the sewerage authority.
- (2) In this section—
  - " sewerage authority " means a public body having power under any enactment relating to the public health to construct and maintain sewers ;
  - " trade effluents " means liquid or other matter discharged into public sewers from premises occupied for the purposes of a trade.
- (3) This section shall apply only where the contribution was made, and the expenditure in question was incurred, after the 31st May 1963.

#### **41 Motor cars: amendments as to capital allowances and deductions for hiring**

- (1) In relation to initial and annual allowances and balancing allowances under Chapter II of Part )( of the Act of 1952 falling to be made for the year 1963-64 and subsequent years, the provisions of the six following subsections shall have effect in substitution for the provisions of subsections (2) to (6) of section 23 of the Finance Act 1961

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- (capital allowances for vehicles costing over two thousand pounds) in cases where that section would otherwise have applied.
- (2) The amount to be allowed by way of initial allowance for any one vehicle shall not exceed six hundred pounds (whether the allowance falls to be made by reference to lump sum expenditure or by reference to the amounts of instalments), the references in paragraph 3(2) of Schedule 14 to the Act of 1952 to seven-tenths of the limit of recharge on the seller having effect accordingly as references to the limit of recharge reduced by six hundred pounds.
- (3) The amount of an annual allowance shall not exceed five hundred pounds ; and—
- (a) where the amount of an annual allowance, if calculated in accordance with section 281 (normal method of calculating annual allowances) of the Act of 1952, would be reduced by the foregoing provisions of this subsection the allowance shall be so calculated ;
  - (b) section 291 of that Act (annual allowances where previous use has not attracted full allowances) shall have effect as if at the end of subsection (1) thereof there were added " and in any case where the machinery or plant was not in fact used for the purposes of the trade in the first of those previous years (whether or not the trade was then being carried on) there shall be deemed to have been made to him for that year the maximum allowances permitted by subsections (2) and (3) of section 41 of the Finance Act 1963 ".
- (4) Where apart from this subsection a balancing allowance would fall to be made in respect of any vehicle, and the event giving rise to the allowance takes place within the basis period for a year of assessment as respects which the foregoing subsection would operate to reduce the amount of any annual allowance falling to be made in respect of the vehicle, or would so operate but for any provision of the Income Tax Acts (other than this section) reducing annual allowances.—
- (a) if the person to whom the balancing allowance would fall to be made proves that as respects the period during which the vehicle has been used for the purposes of his trade the amount (if any) falling to be made to him by way of annual allowances in respect of the vehicle is less than an amount at a rate of five hundred pounds a year, the amount of the balancing allowance shall not exceed the amount of the difference, increased, if any amount which could have been allowed by way of initial allowance was not claimed, by that amount;
  - (b) in any other case no balancing allowance shall be made unless any amount which could have been allowed by way of initial allowance was not claimed, and if so the balancing allowance shall not exceed that amount.
- (5) It is hereby declared that the provisions of the Income Tax Acts (other than this section) which in special circumstances reduce initial or annual allowances, and balancing allowances, apply to allowances after modification by the foregoing provisions of this section ; and in particular—
- (a) the reference in section 286 of the Act of 1952 to an annual allowance computed in accordance with the preceding provisions of Chapter II of Part )( of that Act includes a reference to an annual allowance computed in accordance with those provisions and the foregoing provisions of this section;
  - (b) where, in a case falling within section 293 or the proviso to section 294 of that Act (effect on balancing allowances of part-time use otherwise than for trade purposes, and of subsidies for wear and tear), it is just and reasonable that the foregoing subsection should apply with the substitution for the reference to

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five hundred pounds of a reference to a smaller amount, that subsection shall so apply, without prejudice to the determination in accordance with the said section 293 or the said proviso whether any balancing allowance falls to be made, or would fall to be made apart from the foregoing subsection.

- (6) Where under section 332(1) of the Act of 1952 any part of the expenditure incurred in the provision of a vehicle is to be treated as not having been incurred by a person, or under section 332(3) of that Act a person's contribution to such expenditure is to be treated as expenditure on the provision of a similar vehicle, the foregoing provisions of this section shall have the like effect as if for the references to six hundred and to five hundred pounds there were substituted references to sums which bear the same proportion thereto as the amount of expenditure which is to be treated as having been incurred by the person providing the vehicle, or as the case may be the amount of the contribution, bears to the whole expenditure incurred in the provision of the vehicle.
- (7) Section 296(1) of the Act of 1952 (optional treatment of balancing charge in certain cases of replacement) shall not have effect where the vehicle is the new plant referred to in that subsection, and this provision shall apply in relation to balancing charges as well as in relation to initial and annual allowances.
- (8) Section 25 of the Finance Act 1961 (which limits the deduction to be made for the cost of hiring a vehicle of which the retail price exceeds two thousand pounds in the proportion which two thousand pounds bears to the retail price) shall have effect in relation to assessments for the year 1963-64 and subsequent years as if after the words " the proportion which two thousand pounds" there were inserted the words " together with one half of the excess ".
- (9) Where a person, having on or after the 4th April 1963 hired (otherwise than by way of hire purchase) a vehicle to which section 25 of the Finance Act 1961 applies subsequently becomes the owner thereof, and the retail price of the vehicle at the time it was made exceeded two thousand pounds, then for the purposes of the Income Tax Acts (and in particular this section)—
  - (a) so much of the aggregate of the payments for the hire of the vehicle and of any payment for the acquisition thereof as does not exceed the retail price of the vehicle at the time it was made shall be treated as capital expenditure incurred in the provision of the vehicle, and as having been incurred when the hiring began, and
  - (b) the payments to be treated as expenditure on the hiring of the vehicle shall be rateably reduced so as to amount in the aggregate to the balance.
- (10) In section 26 of the Finance Act 1961 (provisions as to hire purchase, etc.) subsections (2) and (3) shall cease to have effect.
- (11) Paragraph 4 of Schedule 3 to the Finance Act 1957 (additional assessments and adjustments of assessments) shall have effect as if references therein to that Schedule included references to subsection (9) of this section; and any claim for an allowance by virtue of that subsection may be made in connection with the making or adjusting of assessments in pursuance of the said paragraph 4, and whether so made or not may notwithstanding anything in section 323 of the Act of 1952 be made at any time not later than two years after the claimant became the owner of the vehicle.
- (12) The said paragraph 4 shall have effect in relation to section 27(3) of the Finance Act 1961 as applied for the purposes of this section as that paragraph had effect in relation to that subsection as originally enacted.

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## **42 Supplemental provisions as to Chapter III**

- (1) As respects expenditure incurred before the 6th April 1963, a provision of the foregoing sections of this Chapter which applies to that expenditure but is not expressed to apply for the year 1963-64 and subsequent years shall apply for the year 1962-63 as well as subsequent years, and for that purpose there shall be made all such amendments of assessments, additional assessments and repayments of tax as may be necessary.
- (2) Expenditure shall not be treated for the purposes of any of the provisions of this Chapter as having been incurred after a date mentioned in those provisions by reason only of section 265(6), 279(2) or 309(1) of the Act of 1952 (which relate to expenditure incurred by a person for the purposes of a trade before he begins to carry it on).
- (3) In this Chapter—
  - " new machinery or plant " means machinery or plant being unused and not secondhand ;
  - " relevant capital amount " means the amount specified in section 281(1)(a) or, as the case may be, section 282(1)(a) of the Act of 1952 as the amount by reference to which an annual allowance is to be computed.
- (4) The provisions of this Chapter (except section 37), so far as they relate to any Chapter of Part )( of the Act of 1952, or to Part )(I of that Act, shall be construed as if contained in that Chapter or in the said Part )(I, as the case may be.