



Finance Act 1965

1965 CHAPTER 25

PART IV

TAXATION OF COMPANIES AND OF COMPANY DISTRIBUTIONS.

Local authorities, unit trusts and special classes of company.

66 Local authorities.

- (1) A local authority in the United Kingdom shall after the year 1965-66 be exempt from all charge to income tax in respect of its income, and shall be exempt from corporation tax and capital gains tax, and is not included in the expression " company " as used in this Part of this Act; and this subsection shall apply to a local authority association as it applies to a local authority.
- (2) In this section " local authority " means—
 - (a) in relation to England and Wales, any authority being, within the meaning of the Local Loans Act 1875, an authority having power to levy a rate, and includes a joint board or joint committee of such authorities;
 - (b) in relation to Scotland, any county council, town council or district council, and any statutory authority, commissioners or trustees having power to levy a rate as defined in section 379 of the Local Government (Scotland) Act 1947, or to issue a requisition for payment of money to be raised out of such a rate, and includes any joint board or joint committee of such authorities appointed under any enactment, order or scheme;
 - (c) in relation to Northern Ireland, the council of any county, county or other borough, or urban or rural district, any other body of which all or substantially all the members are elected by local government electors and which is established for public local purposes and has power to raise money for those purposes by rates leviable on the basis of assessments in respect of land, and any committee or board appointed wholly or partly by a county or district council or by several such councils jointly.

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- (3) In subsection (2)(a) and (b) above any reference to a joint board or joint committee of such authorities as are there mentioned applies, and applies only, to a joint board or joint committee of which all the constituent members are such authorities or which, having such authorities and other bodies corporate as its constituent members, is authorised by or under any enactment to require from those authorities, but not from other constituent members, the payment of sums to meet or towards meeting the amount or estimated amount by which its revenue for any period falls short or may fall short of its expenditure for that period; and for this purpose, if a member of a joint board or joint committee is a representative of or appointed by any authority or body, that authority or body (and not he) is to be treated as a constituent member of the board or committee.
- (4) In this section " local authority association " means any incorporated or unincorporated association of which all the constituent members are local authorities, groups of local authorities or local authority associations and which has for its object or primary object the protection and furtherance of the interests in general of local authorities or any description of local authorities ; and for this purpose, if a member of an association is a representative of or appointed by any authority, group of authorities or association, that authority, group or association (and not he) is to be treated as a constituent member of the association.
- (5) In section 166 of the Income Tax Act 1952 (which restricts the operation of Chapter II of Part VI of that Act in relation to persons in employment with a local authority) for the reference to a local authority as defined for the purposes of section 171 of that Act there shall be substituted a reference to a local authority as defined in this section.

67 Unit trusts and investment trusts.

- (1) Section 69 of the Finance Act 1960 (which provides for unit trusts to be dealt with for income tax purposes as investment companies) shall apply in relation to corporation tax as it is expressed to apply in relation to income tax, as if in section 71(1), in the definition of "authorised unit trust scheme ", for the words " or chargeable accounting period (for profits tax purposes)" there were substituted the words " or accounting period (for corporation tax purposes) " , and references in this Part of this Act to a body corporate shall be construed accordingly ; but—
- (a) the first reference to income in section 69(1) shall include chargeable gains ; and
 - (b) for the references in section 69(2) to sections 425 and 184(1) of the Income Tax Act 1952 there shall be substituted respectively references to section 57 and to section 47(4) of this Act.
- (2) Where in an accounting period of a unit trust the aggregate of the capital sums paid in respect of the cancellation of units exceeds the aggregate of the capital sums received in respect of the creation of units, then the amount (as computed apart from this provision) of any chargeable gain or allowable loss accruing to the unit trust in that period shall be taken as reduced by the appropriate fraction of it, that is to say, by the same fraction as the said excess is of the total net consideration received by the unit trust on the disposal of chargeable assets during the period after deduction of the incidental costs of making the disposal (or, if the said excess is greater than the said total net consideration, shall be taken to be nil).
- (3) For purposes of section 37 of this Act the total net gains of a unit trust for an accounting period are the excess, if any, of the chargeable gains accruing to the unit trust in the

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period over the allowable losses deductible from those gains (as those gains and losses are computed for the charge to tax on the unit trust), after deduction from that excess of the tax which will be charged on the unit trust for the period in respect of chargeable gains, and the proportion attributable to any unit holder of the total net gains for any accounting period shall be determined by the unit trust, regard being among other things had, as between units of different classes, to the proportion of the assets of the unit trust representing gains on capital which would be attributable to the respective classes in a liquidation of the unit trust; and no apportionment which the unit trust makes under this section shall be questionable in any proceedings by the unit holders or by any other person.

(4) After carrying out an apportionment under subsection (3) of this section the unit trust shall give any unit holder to whom part of the total net gains is attributable a notice referring to the provisions of this section and certifying—

- (a) the total net gains (employing that term) of the unit trust for the accounting period, so far as known; and
- (b) the amount apportioned to him ;

and the unit holders between whom the total net gains are to be apportioned shall (except on an apportionment made in accordance with subsection (5) below) be determined by reference to the same date as the right to payment of the first dividend after the end of the accounting period, and that date shall be deemed to be the date when the apportionment is made and shall be specified in the notice.

(5) The apportionment under subsection (3) of this section shall be carried out separately for each accounting period but a notice may be issued in respect of part of an accounting period apportioned in the light of the information available at the time, and an apportionment (or final apportionment) for an accounting period may be made at or after the end of the period, notwithstanding that any amounts are not finally ascertained ; but if at any time it is found that too much or too little has been apportioned it shall be corrected as soon as may be by deduction from or addition to the total net gains of a later accounting period or periods.

(6) A notice under subsection (4) of this section may be combined with the statement in writing required to be given under section 199 of the Income Tax Act 1952 (statements in dividend warrants, etc.).

(7) Before the notices under subsection (4) of this section are sent out, particulars of the apportionments shall be submitted to the inspector, and the notices shall not be sent out without his approval, but subject to a right of appeal to the General Commissioners having jurisdiction in any assessment on the unit trust, being a right of appeal against the refusal of the inspector to give his approval.

In the application of this subsection to Northern Ireland for the reference to the General Commissioners there shall be substituted a reference to the Special Commissioners.

(8) Anything required by subsections (3) to (7) above to be done by a unit trust shall be done by the managers of the unit trust with the approval of the trustee.

(9) Subsections (3) to (7) above shall apply in relation to an investment trust as they apply in relation to a unit trust with the necessary adaptations of references to units and unit holders; and for this purpose "investment trust" has the meaning assigned to it by section 37 of this Act.

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68 Rate of tax for unit trusts and investment trusts.

The rate of tax payable by a unit trust or by an investment trust approved by the Board for the purposes of sections 37 and 67 of this Act on any chargeable gains accruing in any accounting period (as calculated in accordance with section 55 of this Act) shall not exceed that payable in that period by an individual under section 20(3) of this Act.

69 Insurance companies.

(1) Subject to the provisions of this section and of section 426(1) of the Income Tax Act 1952 (under which life assurance business is to be treated as a separate business), section 57 of this Act shall apply for computing the profits of a company carrying on life assurance business, whether mutual or proprietary, (and not charged to corporation tax in respect of it under Case I of Schedule D), whether or not the company is resident in the United Kingdom, as that section applies in relation to an investment company, except that—

- (a) there shall be deducted from the amount treated as expenses of management for any accounting period the amount of any fines, fees or profits arising from reversions ; and
- (b) no deduction shall be made under proviso (a) to section 57(1) in respect of income derived from sources not charged to tax, but proviso (b) shall include enactments applying to companies carrying on life assurance business though not to investment companies.

(2) The relief in respect of management expenses given under subsection (1) above for any accounting period shall not reduce the corporation tax paid by the company to less than would have been paid if it had been charged to tax in respect of its life assurance business under Case I of Schedule D, and where in any accounting period this subsection applies to prevent or restrict the deduction of expenses of management in computing profits chargeable to corporation tax, then—

- (a) if the amount on which the company would be so charged under Case I of Schedule D exceeds those profits (before any such deduction) an amount equal to that excess shall be deducted from the amount of franked investment income that may be treated as profits of the period chargeable to corporation tax for purposes of a claim under section 62 of this Act; and
- (b) subject to any claim under section 62 for that accounting period, the excess to be carried forward by virtue of section 57(2) of this Act shall be increased accordingly.

The reference in paragraph 2(1) of Schedule 6 to this Act to computing income or profits or gains or losses shall not be taken as applying to a computation of a company's income for purposes of this subsection.

(3) The foregoing sections of this Part of this Act shall, in relation to companies carrying on life assurance business, have effect subject to the following modifications:—

- (a) the exclusion from the charge to corporation tax of the distributions of companies resident in the United Kingdom shall not prevent franked investment income of a company so resident from being taken into account as part of the profits in computing trading income in accordance with the rules applicable to Case I of Schedule D, and in ascertaining for purposes of section 58 or 59 of this Act whether and to what extent a company has incurred a loss on its life assurance business any profits derived from the investments

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- of its life assurance fund (including franked investment income of a company so resident) shall be treated as part of the profits of that business;
- (b) in the case of a company carrying on general annuity business, the annuities paid by the company, so far as referable to that business and so far as they do not exceed the income charged to corporation tax and franked investment income of the part of the annuity fund so referable, shall be treated as charges on income, but section 60 of this Act shall not be taken to apply to a loss incurred by a company on its pension annuity business or its general annuity business;
- (c) the extent to which, and the manner in which, income from investments of the life assurance fund is to be charged to corporation tax shall—
- (i) in cases falling within section 429 of the Income Tax Act 1952, be determined in accordance with that section (and, where they apply, paragraph 3 of Part III of Schedule 18 to that Act and section 28(1) of the Finance Act 1959); and
- (ii) in cases falling within section 430 of the Income Tax Act 1952, be determined in accordance with that section (and, where it applies, section 436(3)), distributions received from companies resident in the United Kingdom being brought into account notwithstanding their exclusion from the charge to corporation tax;
- (d) where section 429 of the Income Tax Act 1952 has effect in relation to income arising from investments of any part of a company's life assurance fund, it shall have the like effect in relation to chargeable gains accruing from the disposal of any such investments, and losses so accruing shall not be allowable losses.
- (4) Where by virtue of section 429 of the Income Tax Act 1952 corporation tax is payable by reference to the amount of income received in the United Kingdom, and under section 347 or 348 credit for any tax falls to be allowed in respect of that income, the amount received shall be treated as increased by an amount equal to the tax which falls to be taken into account in determining whether any, and if so what, credit is to be allowed against corporation tax (including in the case of a dividend any such tax not charged directly or by deduction in respect of the dividend, but excluding tax not payable but falling to be taken into account by virtue of section 17 of the Finance Act 1961 (foreign tax reliefs to promote development)).
- (5) Without prejudice to the general application of income tax law for purposes of corporation tax, sections 426(1) and (2) and 427 of the Income Tax Act 1952 and section 24 of the Finance Act 1956 shall, subject to the provisions of this section, apply for purposes of corporation tax, including corporation tax in respect of chargeable gains, as they applied for purposes of income tax, and references to profits or income shall accordingly include chargeable gains; and the exclusion from the charge to corporation tax of the distributions of companies resident in the United Kingdom shall not prevent them from being taken into account as part of the profits in computing under section 24 of the Finance Act 1956 the profits arising to an assurance company from pension annuity business or from general annuity business.
- (6) Section 427(2) of the Income Tax Act 1952 (which provides for repayment of income tax on income reserved for policy holders where the standard rate exceeds seven shillings and sixpence in the pound) shall apply to chargeable gains as it applies to income, applying—

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- (a) to franked investment income as if income tax deducted or treated under this Part of this Act as deducted from it were income tax borne by the company; and
 - (b) to income chargeable to corporation tax and to chargeable gains as if references to the standard rate of income tax were references to the rate of corporation tax.
- (7) Except under section 427(2) of the Income Tax Act 1952 a company resident in the United Kingdom shall not be entitled to repayment of income tax deducted or treated under this Part of this Act as deducted from such part of the franked investment income from investments held in connection with its life assurance business as belongs or is allocated to, or is reserved for,
- or expended on behalf of, policy holders; but notwithstanding anything in section 48 of this Act, any such company carrying on life assurance business shall be entitled to repayment of income tax in respect of franked investment income of the company's annuity fund in so far as—
- (a) it is referable in accordance with section 24 of the Finance Act 1956 to pension annuity business; or
 - (b) being referable to general annuity business, it does not have to be taken into account to enable annuities referable to that business to be treated as charges on income.

Any franked investment income on which income tax is repayable as mentioned in this subsection, or which is taken into account as mentioned in paragraph (b), shall be left out of account under section 48 of this Act.

- (8) Where—
- (a) a company carrying on life assurance business has before the date of the passing of this Act issued policies of life assurance—
 - (i) providing for benefits which consist to any extent of investments of a specified description or of a sum of money to be determined by reference to the value of such investments; but
 - (ii) not providing for the deduction from those benefits of any amount by reference to tax chargeable in respect of chargeable gains; and
 - (b) the investments of the company's life assurance fund, so far as referable to those policies, consist wholly or mainly of investments of the description so specified; and
 - (c) on the company becoming liable under any of those policies for any such benefits (including benefits to be provided on the surrender of a policy), a chargeable gain accrues to the company from the disposal in meeting or for the purpose of meeting that liability of investments of that description forming part of its life assurance fund, or would so accrue if the liability were met by or from the proceeds of such a disposal;

then the company shall be entitled as against the person receiving the benefits to retain out of them a part of them not exceeding in amount or value corporation tax in respect of the gain referred to at (c) above, computed without regard to any amount retained under this provision, and computed at the rate of corporation tax for the time being in force or, if no rate has yet been fixed for the financial year, at the rate last in force or, if no rate has yet been fixed for any financial year, at a rate of thirty-five per cent. :

Provided that in so far as the chargeable gain represents or would represent a gain belonging or allocated to, or reserved for, policy holders the amount that is to be

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retained shall be computed by reference to a rate of tax not exceeding thirty-seven and a half per cent.

- (9) Without prejudice to the general application of income tax law for purposes of corporation tax, section 431 of the Income Tax Act 1952 (capital redemption business) shall apply for purposes of corporation tax, including corporation tax in respect of chargeable gains, as it applies for purposes of income tax, but as if section 431(2) provided that in ascertaining for purposes of section 58 or 59 of this Act whether and to what extent a company has incurred a loss on its capital redemption business any profits derived from investments held in connection with the capital redemption business (including franked investment income of a company resident in the United Kingdom) shall be treated as part of the profits of that business.

70 Industrial and provident societies.

- (1) Notwithstanding anything in this Act, share interest or loan interest paid by a registered industrial and provident society shall not be treated as a distribution, and subject to subsection (3) below any share interest or loan interest paid in an accounting period of the society—
- (a) shall be deductible in computing for purposes of corporation tax the income of the society for that period from the trade carried on by the society ; or
 - (b) if the society is not carrying on a trade, shall be treated as a charge on the income of the society.
- (2) As regards share interest and loan interest paid in or after the year 1966-67 section 443(4) of the Income Tax Act 1952 shall not have effect, but at the end of section 442 there shall be added as a new subsection (4):—
- “(4) Every registered industrial and provident society shall, within three months after the end of any accounting period for corporation tax of the society, deliver to the surveyor a return in such form as the Commissioners of Inland Revenue may prescribe showing—
- (a) the name and place of residence of every person to whom the society has by virtue of this section paid without deduction of income tax sums amounting to more than fifteen pounds in that period; and
 - (b) the amount so paid in that period to each of those persons.”
- (3) If for any accounting period of a registered industrial and provident society a return under section 442(4) of the Income Tax Act 1952 is not duly made, share interest and loan interest paid by the society in that period shall not be deductible in computing income for purposes of corporation tax or be treated as a charge on income.
- (4) As regards share interest and loan interest paid before the year 1966-67 subsection (3) above shall apply to the returns required by section 443(4) of the Income Tax Act 1952; but subsection (1)(b) above shall not apply to share interest or loan interest so paid, except in so far as relief cannot be given in respect of it under section 443(1) (a) of that Act.
- (5) Any claim made by a housing association under section 43 of the Finance Act 1963 after the year 1965-66 shall be made as theretofore for a year of assessment or part of a year of assessment.
- (6) A housing association within the meaning of the said section 43 shall be exempt from corporation tax in respect of chargeable gains accruing to it on the disposal by way of

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sale of any property which has been or is being occupied by a tenant of the housing association:

Provided that this subsection shall not apply to an association except on a claim made on that behalf for an accounting period or part thereof during which it was approved for the purposes of the said section 43, and Schedule 10 to the Finance Act 1963 shall have effect in relation to any such claim, with any necessary adaptations, as it has effect in relation to a claim under that section.

- (7) If in the course of, or as part of, a union or amalgamation of two or more industrial and provident societies, or a transfer of engagements from one industrial and provident society to another, there is a disposal of an asset by one society to another, both shall be treated for purposes of corporation tax in respect of chargeable gains as if the asset were acquired from the one making the disposal for a consideration of such amount as would secure that on the disposal neither a gain nor a loss would accrue to the one making the disposal.
- (8) Where in accordance with a scheme approved under section 5 of the Housing Act 1964 the Housing Corporation acquires from a housing society the society's interest in all the land held by the society for carrying out its objects, or where after the Housing Corporation has so acquired from a housing society all the land so held by it the Corporation disposes to a single housing society of the whole of that land (except any part previously disposed of or agreed to be disposed of otherwise than to a housing society), together with all related assets, then both parties to the disposal of the land to the Housing Corporation or, as the case may be, by the Housing Corporation shall be treated for purposes of corporation tax in respect of chargeable gains as if the land and any related assets disposed of therewith (and each part of that land and those assets) were acquired from the one making the disposal for a consideration of such amount as would secure that on the disposal neither a gain nor a loss would accrue to the one making the disposal.

In this subsection " housing society " has the same meaning as in Part I of the Housing Act 1964, and " related assets " means in relation to an acquisition of land by the Housing Corporation assets acquired by the Corporation in accordance with the same scheme as that land, and in relation to a disposal of land by the Housing Corporation assets held by the Corporation for purposes of the same scheme as that land.

- (9) Subsections (1) and (7) of this section shall have effect as if references to a registered industrial and provident society included any co-operative association established and resident in the United Kingdom, and having as its object or primary object to assist its members in the carrying on of agricultural or horticultural businesses on land occupied by them in the United Kingdom or in the carrying on of businesses consisting in the catching or taking of fish or shellfish.

In this subsection " co-operative association " means a body of persons having a written constitution from which the Minister of Agriculture, Fisheries and Food (as regards England or Wales), the Secretary of State (as regards Scotland) or the Ministry of Agriculture for Northern Ireland (as regards Northern Ireland) is satisfied, having regard to the provision made as to the manner in which the income of the body is to be applied for the benefit of its members and all other relevant provisions, that the body is in substance a co-operative association.

- (10) Section 446 of the Income Tax Act 1952 shall apply for the interpretation of this section as it applies for the interpretation of Part XXI of that Act.

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71 Building societies.

- (1) As respects the year 1966-67 and later years of assessment section 445 of the Income Tax Act 1952 (under which a building society may make and receive interest payments without deduction of income tax under arrangements for it to be specially assessed under Schedule D) shall have effect notwithstanding the provisions of this Part of this Act requiring income tax to be deducted from distributions; and—
- (a) in section 445(1) there shall be substituted for paragraph (a)—
- “(a) on such sums as may be determined in accordance with the arrangements the society is liable to account for and pay an amount representing income tax calculated in part at the standard rate and in part at a reduced rate which takes into account the operation of the subsequent provisions of this section ;”
- and accordingly in the proviso, immediately before the words " the total tax ", there shall be inserted the words " (if the amount so payable by the society under the arrangements is regarded as income tax for the year of assessment) ";
- (b) section 445 (3) (b) shall not apply to interest paid by a company not resident in the United Kingdom under a liability incurred wholly and exclusively for the purposes of a trade carried on by it in the United Kingdom through a branch or agency.
- (2) Where for any such year of assessment a building society enters into arrangements under section 445 of the Income Tax Act 1952, dividends or interest payable in respect of shares in, or deposits with or loans to, the society shall be dealt with for the purposes of corporation tax as follows:—
- (a) in computing for any accounting period ending in the year of assessment the total profits of the society there shall be allowed as a deduction the actual amount paid or credited in the accounting period of any such dividends or interest, together with the amount accounted for and paid by the society in respect thereof as representing income tax;
- (b) in computing the income of a company which is paid or credited in the year of assessment with any such dividends or interest, the company shall be treated as having received an amount which, after deduction of income tax at the standard rate for the year of assessment, is equal to the amount paid or credited, and shall be entitled to a set off or repayment of income tax accordingly, except that the dividends or interest shall not be brought into account under Schedule 12 to this Act;
- (c) no part of any such dividends or interest paid or credited in the year of assessment shall be treated as a distribution of the society or as franked investment income of any company resident in the United Kingdom.
- (3) Where for the year 1965-66 a building society enters into arrangements under section 445 of the Income Tax Act 1952—
- (a) if a society which but for the arrangements would be assessed to income tax for the year 1965-66 by reference to a period ending before that year is under the arrangements (and without any election thereunder by the society) so assessed by reference to a period ending in that year, then subsection (4) below shall apply to the society in place of the general provisions of this Part of this Act as to the time for payment of corporation tax; and
- (b) subsection (2) (a) above shall have effect in relation to any accounting period of the society ending in that year with the substitution for the reference to the

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amount accounted for and paid by the society in respect of the dividends and interest as representing income tax of a reference to the amount computed by reference to the dividends or interest in accordance with the provision made by those arrangements with reference to dividends and interest for charging the society to income tax for that year.

- (4) Where this subsection applies to a building society, then—
- (a) corporation tax assessed on the society for any accounting period shall be paid within one month from the making of the assessment, except that if the society's basis period for the year 1965-66 does not extend into the year 1966, the tax shall not be payable before the like time after the last day of the accounting period as 1st January 1966 is after the last day of that basis period; but
 - (b) if corporation tax has not become payable by the society for an accounting period by the like time from the beginning of that period as there is between the beginning of the said basis period and 1st January 1966, the society shall at that time from the beginning of the accounting period make a provisional payment of tax computed on the amount on which the society is chargeable to corporation tax for the accounting period last ended (or, as the case may be, is chargeable to income tax by reference to the said basis period), with such adjustments, if any, as may be required for periods of different length or as may be agreed between the society and the inspector.

References in this subsection to a society's basis period for the year 1965-66 are references to the period by reference to which the society is assessed to income tax for that year under the arrangements referred to in subsection (3) above.

- (5) If in the course of, or as part of, a union or amalgamation of two or more building societies, or a transfer of engagements from one building society to another, there is a disposal of an asset by one society to another, both shall be treated for purposes of corporation tax in respect of chargeable gains as if the asset were acquired from the one making the disposal for a consideration of such amount as would secure that on the disposal neither a gain nor a loss would accrue to the one making the disposal.

72 Companies carrying on mutual business, or not carrying on a business.

- (1) Subject to subsection (2) below, where a company carries on any business of mutual trading or mutual insurance or other mutual business, the provisions of this Part of this Act relating to distributions shall apply to distributions made by the company notwithstanding that they are made to persons participating in the mutual activities of that business and derive from those activities, but shall so apply only to the extent to which the distributions are made out of profits of the company which are brought into charge to corporation tax or out of franked investment income (including group income).
- (2) In the case of a company carrying on any mutual life assurance business, the provisions of this Act relating to distributions shall not apply to distributions made to persons participating in the mutual activities of that business and derived from those activities; but if the business includes annuity business, the annuities payable in the course of that business shall not be treated as charges on the income of the company to any greater extent than if the business were not mutual but were being carried on by the company with a view to the realisation of profits for the company.

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- (3) Subject to the foregoing subsections, the fact that a distribution made by a company carrying on any such business is derived from the mutual activities of that business and the recipient is a person participating in those activities shall not affect the character which the payment or other receipt has for purposes of corporation tax or income tax in the hands of the recipient.
- (4) Where a company does not and never has carried on a trade or a business of holding investments, and is not established for purposes which include the carrying on of a trade or of such a business, the provisions of this Part of this Act relating to distributions shall apply to distributions made by the company only to the extent to which the distributions are made out of profits of the company which are brought into charge to corporation tax or out of franked investment income.

73 Company partnerships.

- (1) So long as a trade is carried on by persons in partnership, and any of those persons is a company, the profits of the - trade and any loss (including a terminal loss) incurred therein shall be computed for purposes of corporation tax in like manner and by reference to the like accounting periods as if the partnership were a company, and without regard to any change in the persons engaged in carrying on the trade:

Provided that—

- (a) references to distributions shall not apply ;
 - (b) no deduction or addition shall be made for charges on income, or for capital allowances and charges, nor in any accounting period for losses incurred in any other period;
 - (c) a change in the persons engaged in carrying on the trade shall be treated as the transfer of the trade to a different company, if there continues to be a company so engaged after the change but not a company that was so engaged before the change.
- (2) A company's share in the profits or loss of any accounting period or in any matter excluded from the computation by proviso (b) to subsection (1) above shall be determined according to the interests of the partners during that period and corporation tax shall be chargeable as if that share derived from a trade carried on by it alone, and the company shall be assessed and charged to tax accordingly:

Provided that for purposes of any relief from tax which may be given against total profits a company may claim that any profits in respect of which it is chargeable in accordance with this section and, so far as it cannot be relieved against those profits, any matter for which relief may be given against them in accordance with this section shall be dealt with as if they derived from a separate trade carried on by it otherwise than in partnership (any necessary apportionment being made where accounting periods of the company do not coincide with those of the partnership).

- (3) Where any of the persons engaged in carrying on the trade is an individual, income tax shall be chargeable in respect of his share of the profits, and he shall be entitled to relief for his share of any loss, as if all the partners had been individuals, except that—
 - (a) income tax shall be chargeable and any relief from income tax shall be given by reference to the computations made for corporation tax, but so that the amounts so computed for an accounting period of the capital allowances and charges falling to be made in taxing the trade shall (as regards the individual's

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- share of them) be given or made for the year or years of assessment comprising that period and, where necessary, be apportioned accordingly; and
- (b) section 19 of the Finance Act 1953 (discontinuances) shall not apply by reason of any change in the persons engaged in carrying on the trade unless an individual begins or ceases to be so engaged, and where it does apply, an election under section 19(3) shall be made only by the individuals so engaged and only if an individual so engaged before the change continues to be so engaged after it; and
 - (c) section 18 of the Finance Act 1954 (terminal loss) shall not apply except where section 59 of this Act applies to the partnership as a whole.
- (4) Section 144 of the Income Tax Act 1952 (partnership statements and assessments) shall apply to income tax chargeable in accordance with this section, matters relevant only to corporation tax being omitted from the statement required by section 144 and from the assessment, and the obligation to make and deliver the statement being that of the individual partner or partners.
- (5) Where a trade or business is carried on by two or more persons in partnership, and the control and management of the trade or business is situated abroad but those persons include a company resident in the United Kingdom, then as regards that company this section shall have effect as if the partnership were resident in the United Kingdom, and an assessment may be made on the company accordingly.
- (6) Subject to subsection (5) above, where the partners in a partnership include a company, section 147 of the Income Tax Act 1952 shall apply whether for corporation tax or income tax, and this section shall have effect accordingly.
- (7) In this section " capital allowances and charges " means any such allowances and charges as are within section 56 of this Act, other than those which for income tax are given or made by deduction or addition in the computation of profits or gains.