



Capital Allowances Act 1968

CHAPTER 3

LONDON
HER MAJESTY'S STATIONERY OFFICE

Capital Allowances Act 1968

CHAPTER 3

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ELIZABETH II



1968 CHAPTER 3

An Act to consolidate Parts X and XI of the Income Tax Act 1952 with related provisions in that Act and subsequent Acts, but without the provisions of the said Part X relating to patents or to agricultural estate management expenditure which is not capital expenditure.

[1st February 1968]

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART I

THE MAIN RELIEFS FOR CAPITAL EXPENDITURE

CHAPTER I

INDUSTRIAL BUILDINGS AND STRUCTURES, ETC.

1.—(1) Subject to the provisions of this Act, where a person incurs capital expenditure on the construction of a building or structure which is to be an industrial building or structure occupied for the purposes of a trade carried on either by that person or by such a lessee as is mentioned in subsection (3) of this section, there shall be made to the person who incurred the expenditure, for the chargeable period mentioned in subsection (4) below, an allowance (in this Chapter referred to as “an initial allowance”).

(2) An initial allowance shall be of an amount equal to three-twentieths of the capital expenditure mentioned in subsection (1) above:

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Provided that this subsection shall have effect subject to the provisions of Schedule 1 to this Act.

(3) The lessees mentioned in subsection (1) above are lessees occupying the building or structure on the construction of which the expenditure was incurred under a lease to which the relevant interest, as defined in section 11 of this Act, is reversionary.

(4) The chargeable period mentioned in subsection (1) above shall, in the case of a person incurring expenditure, be the chargeable period related to the incurring of that expenditure:

Provided that where the first use to which the building or structure is put is a use by a person occupying it by virtue of a tenancy to which the relevant interest is reversionary, and the tenancy begins after the incurring of the expenditure, the said chargeable period shall be the chargeable period in which the tenancy begins.

(5) Notwithstanding anything in this section, no initial allowance shall be made in respect of any expenditure if, when the building or structure comes to be used, it is not an industrial building or structure, and where an initial allowance has been granted in respect of any expenditure otherwise than in accordance with the provisions of this section, all such assessments shall be made as are necessary to secure that effect is given to those provisions.

(6) Any expenditure incurred for the purposes of a trade by a person about to carry it on shall be treated for the purposes of the preceding provisions of this section as if it had been incurred by that person on the first day on which he does carry it on.

Writing-down
allowances.

2.—(1) Subject to the provisions of this Act, where—

- (a) any person is, at the end of a chargeable period or its basis period, entitled to an interest in a building or structure, and
- (b) at the end of the said chargeable period or its basis period, the building or structure is an industrial building or structure, and
- (c) that interest is the relevant interest in relation to the capital expenditure incurred on the construction of that building or structure,

an allowance (in this Chapter referred to as “a writing-down allowance”) shall be made to him for the said chargeable period.

(2) The writing-down allowance shall be equal to one-twenty-fifth (or, where the expenditure was incurred before 6th November 1962, one-fiftieth) of the expenditure mentioned in subsection

(1)(c) above, except that for a chargeable period of less than a year the said fraction of one-twentyfifth or one-fiftieth shall be proportionately reduced.

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(3) Where the interest in a building or structure which is the relevant interest in relation to any expenditure is sold while the building or structure is an industrial building or structure, then (subject to any further adjustment under this subsection on a later sale) the writing-down allowance for any chargeable period, if that chargeable period or its basis period ends after the time of the sale, shall be the residue (as defined in section 4(1) of this Act) of that expenditure immediately after the sale, reduced in the proportion (if it is less than one) which the length of the chargeable period bears to the part unexpired at the date of the sale of the period of twenty-five years (or, where the expenditure was incurred before 6th November 1962, fifty years) beginning with the time when the building or structure was first used.

(4) Notwithstanding anything in the preceding provisions of this section, in no case shall the amount of a writing-down allowance made to a person for any chargeable period in respect of any expenditure exceed what, apart from the writing off falling to be made by reason of the making of that allowance, would be the residue of that expenditure at the end of that chargeable period or its basis period.

3.—(1) Where any capital expenditure has been incurred on the construction of a building or structure, and any of the following events occurs while the building or structure is an industrial building or structure, that is to say—

Balancing allowances and balancing charges.

- (a) the relevant interest in the building or structure is sold, or
- (b) that interest, being an interest depending on the duration of a foreign concession, comes to an end on the coming to an end of that concession, or
- (c) that interest, being a leasehold interest, comes to an end otherwise than on the person entitled thereto acquiring the interest which is reversionary thereon, or
- (d) the building or structure is demolished or destroyed, or, without being demolished or destroyed, ceases altogether to be used,

an allowance or charge (in this Chapter referred to as “a balancing allowance” or “a balancing charge”) shall, in the circumstances mentioned in this section, be made to, or, as the case may be, on, the person entitled to the relevant interest immediately before that event occurs, for the chargeable period related to that event:

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Provided that no balancing allowance or balancing charge shall be made by reason of any event occurring more than twenty-five years (or, where the expenditure was incurred before 6th November 1962, fifty years) after the building or structure was first used.

(2) Where there are no sale, insurance, salvage or compensation moneys, or where the residue of the expenditure immediately before the event exceeds those moneys, a balancing allowance shall be made, and the amount thereof shall be the amount of the said residue or, as the case may be, of the excess thereof over the said moneys.

(3) If the sale, insurance, salvage or compensation moneys exceed the residue, if any, of the expenditure immediately before the event, a balancing charge shall be made, and the amount on which it is made shall be an amount equal to the excess, or, where the residue is nil, to the said moneys.

(4) Where a balancing charge falls to be made on a person, and any part of the relevant period (as defined for the purposes of this subsection) is not comprised in a chargeable period for which a writing-down allowance or scientific research allowance has been made to him or its basis period, the amount on which the balancing charge is to be made shall be reduced in the proportion which the part or parts that are so comprised bear to the whole of the relevant period.

In this subsection "the relevant period" means the period beginning when the building or structure was first used for any purpose and ending—

- (a) if the event giving rise to the balancing charge occurs on the last day of a chargeable period or its basis period, with that day, or
- (b) if not, with the latest date before that event which is the last day of a chargeable period or its basis period:

Provided that where, before the said event (but not before the appointed day), the building or structure has been sold while an industrial building or structure, the relevant period shall begin with the day following that sale or, if there has been more than one such sale, the last such sale.

(5) Where any person by notice in writing to the inspector so elects in relation to any such event as is mentioned in subsection (1) of this section, being an event which gives rise to a balancing allowance, he shall, in relation to that event, be treated for all the purposes of this Act—

- (a) as if subsection (4) of this section applied to that balancing allowance, and

(b) as if, for the purposes of the application thereof—

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(i) the reference to the amount on which the balancing charge is to be made were a reference to the amount of the balancing allowance, and

(ii) the references to the event which gives rise to the balancing charge were references to the event which gives rise to the balancing allowance.

(6) Notwithstanding anything in the preceding provisions of this section, in no case shall the amount on which a balancing charge is made on a person in respect of any expenditure on the construction of a building or structure exceed the amount of the initial allowance, if any, made to him in respect of that expenditure together with the amount of any writing-down allowances or scientific research allowances in respect of that expenditure, and any relevant mills, factories or exceptional depreciation allowances in respect of that building or structure, made to him for chargeable periods which end on or before the date of the event giving rise to the charge or of which the basis periods end on or before that date.

4.—(1) Any expenditure incurred on the construction of any building or structure shall be treated for the purposes of this Chapter as written off to the extent and as at the times hereafter specified in this section, and references in this Chapter to the residue of any such expenditure shall be construed accordingly.

Writing off of expenditure and meaning of "residue of expenditure".

(2) Where an initial allowance is made in respect of the expenditure, the amount of that allowance shall be treated as written off as at the time when the building or structure is first used.

(3) Where, by reason of the building or structure being at any time an industrial building or structure, a writing-down allowance is made for any chargeable period in respect of the expenditure, the amount of that allowance shall be treated as written off as at the said time:

Provided that, where at the said time an event occurs which gives rise or may give rise to a balancing allowance or balancing charge, the amount directed to be treated as written off by this subsection as at the said time shall be taken into account in computing the residue of that expenditure immediately before that event for the purpose of determining whether any and if so what balancing allowance or balancing charge is to be made.

(4) Where a scientific research allowance is made for any chargeable period in respect of the expenditure, the amount of that allowance shall be treated as written off—

(a) in the case of an allowance under section 91 of this Act or paragraph 1 of Schedule 10 to this Act, as at

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the end of the chargeable period or, if it is a year of assessment, as at the end of the basis period (as defined in subsection (3) of the said section 91) for that year of assessment, and

- (b) in the case of an allowance under section 92 of this Act or paragraph 2 of Schedule 10 to this Act, as at the time when the asset ceases to be used by the person in question for scientific research connected with the trade:

Provided that where, at the time as at which an amount falls to be treated as written off under this subsection, an event occurs which gives rise or may give rise to a balancing allowance or balancing charge, the amount directed to be treated as written off by this subsection as at that time shall be taken into account in computing the residue of the expenditure immediately before that event for the purpose of determining whether any and if so what balancing allowance or balancing charge is to be made.

(5) If, for any period or periods between the time when the building or structure was first used for any purpose and the time at which the residue of the expenditure falls to be ascertained, the building or structure has not been in use as an industrial building or structure, then, subject to the provisions of subsection (7) below, there shall in ascertaining that residue be treated as having been previously written off in respect of the said period or periods amounts equal to writing-down allowances made for chargeable periods of a total length equal thereto at such rate or rates as would have been appropriate having regard to any sale on which section 2(3) of this Act operated.

(6) For the purposes of subsection (5) above a building or structure shall not be treated—

(a) by virtue of section 7(1)(c) of this Act as having been an industrial building or structure before the year 1952-53,

(b) by virtue of section 7(1)(i) or section 7(6) of this Act as having been an industrial building or structure before the year 1953-54.

(7) Where any relevant mills, factories or exceptional depreciation allowances have been made in respect of the building or structure for any year of assessment before that in which the appointed day fell, and either—

(a) no amount falls to be treated as written off under subsection (5) above as at any date before the beginning of the year of assessment in which the appointed day fell, or

- (b) the total amounts falling to be treated as written off thereunder as at dates before the beginning of the year of assessment in which the appointed day fell are less than the total relevant mills, factories or exceptional depreciation allowances for years of assessment before that year,

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an amount equal to the total relevant mills, factories or exceptional depreciation allowances or, as the case may be, to that total amount less the total amounts falling to be treated as written off as aforesaid, shall be treated as written off as at the end of the year of assessment immediately preceding that in which the appointed day fell.

(8) Where any exceptional depreciation allowance was made in respect of a building or structure for the year of assessment in which the appointed day fell, an amount equal to that allowance shall be treated as written off as at the end of the immediately preceding year of assessment.

(9) Where, on the occasion of a sale, a balancing allowance is made in respect of the expenditure, there shall be treated as written off as at the time of the sale the amount by which the residue of the expenditure before the sale exceeds the net proceeds of the sale.

(10) Where, on the occasion of a sale, a balancing charge is made in respect of the expenditure, the residue of the expenditure shall be deemed for the purposes of this Chapter to be increased as at the time of the sale by the amount on which the charge is made.

(11) Where a building or structure is demolished, and the demolition gives rise, or might give rise, to a balancing allowance or charge under this Chapter to or on the person incurring the cost of demolition, the net cost to him of the demolition (that is to say the excess, if any, of the cost of the demolition over any moneys received for the remains of the property) shall be added for the purposes of this Chapter to the residue, immediately before the demolition, of the expenditure incurred on the construction of the property; and if this subsection applies to the net cost to a person of the demolition of any property, the cost or net cost shall not be treated, for the purposes of this Part or Part II of this Act, as expenditure incurred in respect of any other property by which that property is replaced.

(12) Where the Crown is at any time entitled to the relevant interest in a building or structure, the preceding provisions of this section shall have effect as if all such writing-down allowances, balancing allowances, mills, factories or exceptional

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depreciation allowances and balancing charges had been made as could have been made if—

- (a) a person other than the Crown and other than a company had been entitled to the relevant interest, and
- (b) all things which, while the Crown is entitled to the relevant interest, have been done in relation to the building or structure by or to the Crown or by or to any person using the building or structure under the authority of the Crown, had been done by or to that other person, for the purposes of and in the course of a trade carried on by him, and
- (c) any sale or other disposition by or on behalf of the Crown of the relevant interest in the building or structure had been made in connection with the termination of that trade, and
- (d) the basis periods of that other person in respect of that trade had, in the case of each year of assessment, ended immediately before the beginning of the year of assessment.

Buildings and
structures
bought unused.

5.—(1) Where expenditure is incurred on the construction of a building or structure and, before that building or structure is used, the relevant interest therein is sold—

- (a) the expenditure actually incurred on the construction thereof shall be left out of account for the purposes of the preceding provisions of this Chapter, but
- (b) the person who buys that interest shall be deemed for those purposes to have incurred, on the date when the purchase price becomes payable, expenditure on the construction thereof equal to the said expenditure or to the net price paid by him for the said interest, whichever is the less:

Provided that, where the relevant interest in the building or structure is sold more than once before the building or structure is used, the provisions of paragraph (b) of this subsection shall have effect only in relation to the last of those sales.

(2) Where the expenditure incurred on the construction of a building or structure was incurred by a person carrying on a trade which consists, as to the whole or any part thereof, in the construction of buildings or structures with a view to their sale, and, before the building or structure is used, he sells the relevant interest therein in the course of that trade, or, as the case may be, of that part of that trade, paragraph (b) of subsection (1) of this section shall have effect subject to the following modifications—

- (a) if that sale is the only sale of the relevant interest before the building or structure is used, the said paragraph

(b) shall have effect as if the words "the said expenditure or to" and the words "whichever is the less" were omitted, and

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(b) in any other case, the said paragraph (b) shall have effect as if the reference to the expenditure actually incurred on the construction of the building or structure were a reference to the price paid on the said sale.

6.—(1) Except in the cases mentioned in the following provisions of this section, any allowance or charge made to or on a person under the preceding provisions of this Chapter shall be made to or on him in taxing his trade.

Manner of
making
allowances
and charges.

(2) An initial allowance shall be made to a person by way of discharge or repayment of tax if his interest in the building or structure is subject to any lease when the expenditure is incurred or becomes subject to any lease before the building or structure is first used for any purpose.

(3) A writing-down allowance shall be made to a person for a chargeable period by way of discharge or repayment of tax if his interest is subject to any lease at the end of that chargeable period or its basis period.

(4) A balancing allowance shall be made to a person by way of discharge or repayment of tax if his interest is subject to any lease immediately before the event giving rise to the allowance.

(5) Any allowance which, under the preceding provisions of this section, is to be made by way of discharge or repayment of tax shall be available primarily against the following income, that is to say—

- (a) income taxed under Case VIII of Schedule D in respect of any premises which at any time in the chargeable period consist of or include an industrial building or structure, or
- (b) income which is the subject of a balancing charge under this Chapter.

(6) Effect shall be given to a balancing charge to be made on a person where his interest is subject to any lease immediately before the event giving rise to the charge—

- (a) if it is a charge to income tax, by making the charge under Case VI of Schedule D,
- (b) if it is a charge to corporation tax, by treating the amount on which the charge is to be made as income of the description in subsection (5)(a) above.

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Definition
of "industrial
building or
structure".

7.—(1) Subject to the provisions of this section, in this Chapter "industrial building or structure" means a building or structure in use—

- (a) for the purposes of a trade carried on in a mill, factory or other similar premises, or
- (b) for the purposes of a transport, dock, inland navigation, water, electricity or hydraulic power undertaking, or
- (c) subject to subsection (7) below, for the purposes of a tunnel undertaking, or
- (d) subject to subsection (8) below, for the purposes of a bridge undertaking, or
- (e) for the purposes of a trade which consists in the manufacture of goods or materials or the subjection of goods or materials to any process, or
- (f) for the purposes of a trade which 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 air into any part of the United Kingdom, or
- (g) for the purposes of a trade which consists in the working of any mine, oil well or other source of mineral deposits, or of a foreign plantation, or
- (h) for the purposes of a trade consisting in all or any of the following activities, that is to say, ploughing or cultivating land (other than land in the occupation of the person carrying on the trade) or doing any other agricultural operation on such land, or threshing the crops of another person, or
- (i) for the purposes of a trade which consists in the catching or taking of fish or shellfish,

and, in particular, the said expression includes any building or structure provided by the person carrying on such a trade or undertaking for the welfare of workers employed in that trade or undertaking and in use for that purpose.

(2) The provisions of subsection (1) of this section shall apply in relation to a part of a trade or undertaking as they apply in relation to a trade or undertaking :

Provided that where part only of a trade or undertaking complies with the conditions set out in the said provisions, a building or structure shall not, by virtue of this subsection, be an industrial building or structure unless it is in use for the purposes of that part of that trade or undertaking.

(3) Notwithstanding anything in subsection (1) or subsection (2) of this section, but subject to the provisions of subsection (4) of this section, "industrial building or structure" does not include any building or structure in use as, or as part of, a dwelling-house, retail shop, showroom, hotel or office or for any purpose ancillary to the purposes of a dwelling-house, retail shop, showroom, hotel or office:

Provided that this subsection shall not apply to, or to part of, a building or structure which was constructed for occupation by, or for the welfare of, persons employed at, or in connection with the working of, a mine, oil well or other source of mineral deposits, or for occupation by, or for the welfare of, persons employed on, or in connection with the growing and harvesting of the crops on, a foreign plantation, if the building or structure is likely to have little or no value to the person carrying on the trade when the mine, oil well or other source or the plantation is no longer worked, or will cease to belong to such person on the coming to an end of a foreign concession under which the mine, oil well or other source, or the plantation, is worked.

(4) Where part of the whole of a building or structure is, and part thereof is not, an industrial building or structure, and the capital expenditure which has been incurred on the construction of the second mentioned part is not more than one-tenth of the total capital expenditure which has been incurred on the construction of the whole building or structure, the whole building or structure and every part thereof shall be treated as an industrial building or structure.

(5) In this section—

"retail shop" includes any premises of a similar character where retail trade or business (including repair work) is carried on;

"dock" includes any harbour, wharf, pier or jetty or other works in or at which vessels can ship or unship merchandise or passengers, not being a pier or jetty primarily used for recreation, and "dock undertaking" shall be construed accordingly;

"water undertaking" means an undertaking for the supply of water for public consumption;

"electricity undertaking" means an undertaking for the generation, transformation, conversion, transmission or distribution of electrical energy;

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“hydraulic power undertaking” means an undertaking for the supply of hydraulic power ;

“undertaking” does not include an undertaking not carried on by way of trade ;

“foreign plantation” means, subject to subsection (6) below, any land outside the United Kingdom used for the growing and harvesting of crops ;

“crops” includes any form of vegetable produce and “harvesting” includes the collection thereof, however effected.

(6) In this section the expression “foreign plantation” shall (without prejudice to the generality of the definition in subsection (5) above) be extended so as to include any land outside the United Kingdom used for husbandry or forestry, and the reference in subsection (3) above to the growing and harvesting of crops shall be correspondingly extended.

1952 c. 33. (7) Subsection (1)(c) above shall not affect any allowance or charge which would have been made under this Part of this Act if this Act had been enacted without that paragraph and if section 25 of the Finance Act 1952 (which is the corresponding provision repealed by this Act) had not been passed, and where by virtue of the said paragraph (c) a balancing charge is made on a person in respect of any expenditure, the amount on which it is made shall not exceed the amount of the allowances made to him in respect of that expenditure by virtue of the said paragraph (c) (and the said section 25).

(8) Subsection (1)(d) above shall have effect only in relation to expenditure which is to be treated for the purposes of this Chapter as incurred after the end of the year 1956-57.

(9) For the purposes of this Chapter references to use as an industrial building or structure do not apply, in the case of a building or structure outside the United Kingdom, to use for the purposes of a trade at a time when the profits or gains of the trade are not assessable in accordance with the rules applicable to Case I of Schedule D.

Expenditure on repair of buildings.

8. This Chapter shall have effect in relation to capital expenditure incurred by a person on repairs to any part of a building or structure as if it were capital expenditure incurred by him in the construction for the first time of that part of the building or structure, and for the purposes of this section any expenditure incurred for the purposes of a trade on repairs to a building or structure shall be deemed to be capital expenditure if it is not expenditure which would be allowed to be deducted in computing, for the purposes of tax, the profits or gains of the trade.

9. Where capital expenditure is or has been incurred on preparing, cutting, tunnelling or levelling land for the purposes of preparing the land as a site for the installation of machinery or plant, and apart from this section no allowance could be made in respect of that expenditure under this Chapter, or under Chapter II of this Part of this Act, then as regards that expenditure—

- (a) the machinery or plant shall be treated for the purposes of this Chapter as a building or structure (whether or not it would be so treated apart from this section), and
- (b) section 14(1) of this Act shall apply with the omission of the reference to Chapter II of this Part of this Act.

10. Where a building or structure which is not an industrial building or structure as defined in section 7 above is occupied by the person carrying on a trade and used as a sports pavilion for the welfare of all or any of the workers employed in that trade, this Chapter shall apply in relation to that building or structure as if it were an industrial building or structure.

11.—(1) Subject to the provisions of this section, in this Chapter, “the relevant interest” means, in relation to any expenditure incurred on the construction of a building or structure, the interest in that building or structure to which the person who incurred the expenditure was entitled when he incurred it.

(2) Where, when he incurs expenditure on the construction of a building or structure, a person is entitled to two or more interests in the building or structure, and one of those interests is an interest which is reversionary on all the others, that interest shall be the relevant interest for the purposes of this Chapter.

(3) An interest shall not cease to be the relevant interest for the purposes of this Chapter by reason of the creation of any lease or other interest to which that interest is subject, and where the relevant interest is a leasehold interest and is extinguished by reason of the surrender thereof or on the person entitled thereto acquiring the interest which is reversionary thereon, the interest into which that leasehold interest merges shall thereupon become the relevant interest.

(4) Where the relevant interest is a leasehold interest which came to an end before the appointed day, and subsection (3) of this section does not apply, the interest which is immediately reversionary thereon shall be deemed, for the purposes of the provisions of this Chapter in so far as they relate to writing-down allowances, balancing allowances and balancing charges, to have thereupon become the relevant interest.

PART I
CHAPTER I
Temporary
disuse of
industrial
buildings or
structures.

12.—(1) For the purposes of this Chapter, a building or structure shall not be deemed to cease altogether to be used by reason that it falls temporarily out of use, and where, immediately before any period of temporary disuse, a building or structure is an industrial building or structure, it shall be deemed to continue to be an industrial building or structure during the period of temporary disuse.

(2) Where by reason of the provisions of subsection (1) of this section a building or structure is deemed to continue to be an industrial building or structure while temporarily out of use, then if—

- (a) upon the last occasion upon which the building or structure was in use as an industrial building or structure, it was in use for the purposes of a trade which has since been permanently discontinued, or
- (b) upon the last occasion upon which the building or structure was in use as an industrial building or structure, the relevant interest therein was subject to a lease which has since come to an end,

any writing-down allowance or balancing allowance falling to be made to any person in respect of the building or structure during any period for which the temporary disuse continues after the discontinuance of the trade or the coming to an end of the lease shall be made by way of discharge or repayment of tax, and shall be available primarily against income of the descriptions in paragraphs (a) and (b) of section 6(5) of this Act, and effect shall be given to any balancing charge falling to be made on any person in respect of the building or structure during the period—

- (i) if it is a charge to income tax, by making the charge under Case VI of Schedule D,
- (ii) if it is a charge to corporation tax, by treating the amount on which the charge is to be made as income of the description in paragraph (a) of section 6(5) of this Act.

1953 c. 34.

1965 c. 25.

(3) The reference in this section to the permanent discontinuance of a trade does not include a reference to the happening of any event which, by virtue of section 19 of the Finance Act 1953 (changes in persons carrying on a trade), or of any provision of Part IV of the Finance Act 1965 other than paragraph 7 of Schedule 16 to that Act (overseas trade corporations), is to be treated as equivalent to the discontinuance of the trade.

(4) Subsection (1) above shall not apply by reason of a building or structure falling temporarily out of use before the appointed day, and shall not apply to a period of temporary disuse beginning before the appointed day.

13.—(1) The provisions of this Chapter shall have effect in relation to any period of requisition of any land as if the Crown had been in possession of that land for that period by virtue of a lease, and any reference in this Chapter to the surrender of a lease or the extinguishment thereof on the person entitled thereto acquiring the interest which is reversionary thereon, or to the merger of a leasehold interest, shall be construed accordingly, and any sum paid to the Crown in respect of any building or structure constructed on any land during any period of requisition of that land, being a sum paid, whether by virtue of any enactment or otherwise, by the person who, subject to the rights of the Crown, is entitled to possession of the land, shall be deemed for the purposes of this Chapter to be a sum paid in consideration of the surrender of that lease:

PART I
CHAPTER I
Requisitioned
land, holding
over of leased
land, and other
special cases.

Provided that where a person carrying on a trade is authorised by the Crown to occupy the land or any part thereof for the whole or any part of the period of requisition, the provisions of this Chapter shall have effect as if the Crown had granted a sub-lease to that person of that land or, as the case may be, that part thereof, for the period of requisition or, as the case may be, for that part of the period for which the said person occupies the land, and the preceding provisions of this subsection shall have effect in relation to that sub-lease as they have effect in relation to the lease therein mentioned, subject, however, to the modification that for the reference to any sum paid to the Crown there shall be substituted a reference to any sum paid to the said person.

In this subsection, “period of requisition” means a period in respect of which compensation is, or, but for any agreement to the contrary, would be, payable under section 2(1)(a) of the Compensation (Defence) Act 1939 by reference to the rent which might reasonably be expected to be payable under a lease granted immediately before the beginning of that period. 1939 c. 75.

(2) Where, with the consent of the lessor, a lessee of any building or structure remains in possession thereof after the termination of the lease without a new lease being granted to him, that lease shall be deemed for the purposes of this Chapter to continue so long as he remains in possession as aforesaid.

(3) Where, on the termination of a lease, a new lease is granted to the lessee in pursuance of an option available to him under the terms of the first lease, the provisions of this Chapter shall have effect as if the second lease were a continuation of the first lease.

(4) Where, on the termination of a lease, the lessor pays any sum to the lessee in respect of a building or structure comprised in the lease, the provisions of this Chapter shall have effect as if the lease had come to an end by reason of the surrender thereof in consideration of the payment.

PART I
CHAPTER I

(5) Where, on the termination of a lease, another lease is granted to a different lessee and, in connection with the transaction, that lessee pays a sum to the person who was the lessee under the first lease, the provisions of this Chapter shall have effect as if both leases were the same lease and there had been an assignment thereof by the lessee under the first lease to the lessee under the second lease in consideration of the payment.

Exclusion
of double
allowances,
etc.

14.—(1) No allowance shall be made under or by virtue of any of the provisions of this Chapter in respect of, or of premises including, or of expenditure on, a building or structure if, for the same or any other chargeable period, an allowance is or can be made under any of the provisions of Chapter II, Chapter III or Chapter V of this Part of this Act in respect of, or of expenditure on, that building or structure.

(2) Without prejudice to the provisions of subsection (1) of this section, any reference in this Chapter to the incurring of expenditure on the construction of a building or structure does not include expenditure on the provision of machinery or plant or on any asset which has been treated for any chargeable period as machinery or plant.

Mining
structures,
etc.:
balancing
allowances
carried back
to earlier
chargeable
periods.

15.—(1) If, in the case of a trade which consists of or includes the working of a mine, oil well or other source of mineral deposits—

- (a) a balancing allowance falls to be made under this Chapter for the last chargeable period during which the trade is carried on, and
- (b) the event giving rise to the allowance is the mine, oil well or other source ceasing to be worked or the coming to an end of a foreign concession, and
- (c) the allowance is in respect of expenditure on a building or structure which was constructed for occupation by, or for the welfare of, persons employed at, or in connection with the working of, the mine, oil well or other source, and
- (d) full effect cannot be given to the allowance because of an insufficiency of profits or gains for the said chargeable period,

the person entitled to the allowance may claim that the balance of the allowance shall be given for the last preceding chargeable period, and so on for other preceding chargeable periods, so, however, that allowances shall not be given by virtue of this subsection for periods together amounting to more than five years (inclusive of any period for which an allowance might be made but cannot be given effect for want of profits or gains)

otherwise than by giving a proportionately reduced allowance for a chargeable period of which part is required to make up the five years.

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(2) Allowances may be made by virtue of this section to a company for the income tax year 1964-65 or 1965-66, notwithstanding that allowances are also made for accounting periods of the company falling wholly or partly within those years and, in reckoning the period for which allowances are to be made, the periods for which allowances are so made shall be added together, notwithstanding that the same time is (according to the calendar) counted twice.

(3) In the case of a company no allowance shall be given by virtue of this section so as to create or augment a loss in any accounting period; and where on a company ceasing to carry on a trade a claim is made both under this section and under section 59 of the Finance Act 1965 (relief for terminal loss) the allowance for which the claim is made under this section shall be disregarded for the purposes of the claim under the said section 59, but effect shall be given to the claim under the said section 59 in priority to the claim under this section. 1965 c. 25.

16.—(1) Subject to the provisions of this section, “the appointed day” in this Chapter means 6th April 1946.

Transitory
provision:
meaning of
“appointed
day”.

(2) Where by virtue of section 7(2) of the Income Tax Act 1945 (which was re-enacted in Part I of Schedule 11 to the Income Tax Act 1952) an allowance fell to be made under section 15 of the Finance Act 1937 (allowances for depreciation of mills, factories and other similar premises) for the year 1946-47 or any subsequent year of assessment in the case of any trade, the provisions of this Chapter, other than this section, shall have effect in relation to the premises in question as if the appointed day were postponed until the first day of the first year of assessment for which no allowance fell to be made under the said section 15 in the case of that or any other trade.

1945 c. 32.
1952 c. 10.
1937 c. 54.

(3) Subsection (4) below has effect as respects expenditure—

- (a) incurred on a building or structure if used before 6th April 1956, not being premises in relation to which the appointed day is postponed to the said 6th April or a later day by subsection (2) above, and
- (b) consisting in part of expenditure incurred on preparing, cutting, tunnelling or levelling any land.

The reference above to expenditure incurred on preparing, cutting, tunnelling or levelling any land does not include expenditure on work done on the land to be covered by a building or structure for the purposes of preparing the land to receive the foundations of the building or structure, being work which

PART I
CHAPTER I

may be expected to be valueless when the building or structure is demolished and not being work which consists of cutting or tunnelling.

(4) The provisions of this Part of this Act relating to allowances and charges under this Chapter, other than initial allowances, shall apply to the said part of the expenditure separately from the remainder, and to the remainder separately from that part, as if each had been incurred on a different building or structure from the other, and the necessary apportionments shall be made accordingly of any sale, insurance, salvage or compensation moneys or other relevant sums; and in relation to that part of the expenditure, but not in relation to the remainder, the appointed day for the purposes of any reference thereto in this Chapter shall be 6th April 1956.

(5) As regards expenditure to which this Chapter is applied by section 9 of this Act the appointed day, for the purpose of any reference thereto in this Chapter, shall be 6th April 1956.

Interpretation
of Chapter I.

17.—(1) References in this Chapter to expenditure incurred on the construction of a building or structure do not include any expenditure incurred on the acquisition of, or of rights in or over, any land.

(2) A person who has incurred expenditure on the construction of a building or structure shall be deemed, for the purposes of any provision of this Chapter referring to his interest therein at the time when the expenditure was incurred, to have had the same interest therein as he would have had if the construction thereof had been completed at that time.

(3) Without prejudice to any of the other provisions of this Part of this Act relating to the apportionment of sale, insurance, salvage or compensation moneys, the sum paid on the sale of the relevant interest in a building or structure, or any other sale, insurance, salvage or compensation moneys payable in respect of any building or structure, shall, for the purposes of this Chapter, be deemed to be reduced by an amount equal to so much thereof as, on a just apportionment, is attributable to assets representing expenditure other than expenditure in respect of which an allowance can be made under this Chapter.

CHAPTER II

MACHINERY AND PLANT

Initial
allowances.

18.—(1) Subject to the provisions of this Act, where—

- (a) a person carrying on a trade incurs capital expenditure on the provision of machinery or plant for the purposes of the trade, and

- (b) in consequence of his incurring the expenditure the machinery or plant belongs to him at some time during the chargeable period related to the incurring of the expenditure,

there shall be made to him, for the chargeable period related to the incurring of the expenditure, an allowance (in this Chapter referred to as "an initial allowance").

(2) The initial allowance shall be of an amount equal to three-tenths of the expenditure within subsection (1) above:

Provided that this subsection shall have effect subject to the provisions of Schedule 1 to this Act.

(3) No initial allowance shall be made in respect of any expenditure incurred after 6th April 1965 on the provision of road vehicles unless they are of a type not commonly used as private vehicles and unsuitable to be so used or are provided wholly or mainly for hire to, or for the carriage of, members of the public in the ordinary course of a trade, so however that the preceding provisions of this subsection—

(a) shall not affect initial allowances in respect of any expenditure in so far as it consists (and is stated in the claim for the allowance to consist) of sums payable under a contract entered into on a date (to be specified in the claim) not later than 6th April 1965, and

(b) shall not apply, as respects expenditure incurred on the provision of vehicles after 16th January 1966, to vehicles of a construction primarily suited for the conveyance of goods or burden of any description,

and, where an initial allowance is not excluded by this subsection, subsections (1) and (2) above shall have effect as respects road vehicles subject to Schedule 2 to this Act.

(4) Any expenditure incurred for the purposes of a trade by a person about to carry it on shall be treated for the purposes of subsection (1) of this section (and accordingly, subject to the proviso below, also for the purposes of subsection (3) above) as if it had been incurred by that person on the first day on which he does carry it on:

Provided that expenditure shall not be treated for the purposes of paragraph (b) of subsection (3) above as having been incurred after 16th January 1966 by reason only of the provisions of this subsection.

(5) An initial allowance may be made to a person in respect of any machinery or plant in taxing a trade carried on by him notwithstanding that it appears that, during the period during which the machinery or plant will be used for the purposes of the trade, it will also be used for other purposes, but the allowance in any such case shall be so much only of the

PART I
CHAPTER II

allowance that would be made if the machinery or plant were to be used only for the purposes of the trade as may be just and reasonable having regard to all the relevant circumstances of the case and, in particular, to the extent to which it appears that the machinery or plant is likely to be used for the said other purposes during that period.

(6) No initial allowance shall be made to a person in respect of any machinery or plant in taxing a trade if it appears that, during the period during which the machinery or plant will be used by him for the purposes of the trade, sums which are in respect of, or take account of, the wear and tear to that machinery or plant occasioned by its use for those purposes and do not fall to be taken into account as his income or in computing the profits or gains of any trade carried on by him are, or are to be, payable to him directly or indirectly by the Crown, or by any government or public or local authority, whether in the United Kingdom or elsewhere, or by any person other than the person carrying on the trade:

Provided that where the sums referred to in this subsection are in respect of, or take account of, part only of the wear and tear therein referred to—

- (a) the preceding provisions of this subsection shall not apply, but
- (b) the amount of the allowance shall be reduced to such extent as may be just and reasonable having regard to all the relevant circumstances of the case.

(7) Where a person incurs capital expenditure on the provision of machinery or plant under a contract providing that he shall or may become the owner of the machinery or plant on the performance of the contract, then—

- (a) subject to the following paragraph, the machinery or plant shall for the purposes of subsection (1)(b) above be treated as belonging to him at any time when he is entitled to the benefit of that contract, so far as it relates to the machinery or plant, but
- (b) if he ceases to be so entitled without becoming the owner of the machinery or plant, the provisions of Schedule 3 to this Act shall have effect in relation to the machinery or plant.

Writing-down allowances

Writing-down allowances.

19.—(1) Subject to the provisions of this Act, where the person carrying on a trade in any chargeable period has incurred capital expenditure on the provision of machinery or plant for the purposes of the trade, an allowance (in this Chapter referred to as “a writing-down allowance”) shall be made to him for that chargeable period on account of the wear

and tear of any of the machinery or plant which belongs to him and is in use for the purposes of the trade at the end of that chargeable period or its basis period.

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CHAPTER II

(2) The following provisions of this Chapter shall apply for the purposes of corporation tax notwithstanding that any provision in section 20, 21 or 26 of this Act, or in Schedule 4 to this Act, is expressed to apply in relation to a year of assessment, and for those purposes the amount of any writing-down allowance shall be determined by applying the law in force for the year of assessment in which the accounting period ends, and references in the said provisions to "the year of assessment in question" shall be construed accordingly.

(3) Where under the provisions of this Chapter a writing-down allowance falls to be determined by reference to a fraction or percentage, specified numerically, of any expenditure or other sum, or by reference to a percentage determined or deemed to be determined for a year of assessment, then for a chargeable period of less than a year the fraction or percentage shall be proportionately reduced; and similarly with the amounts by reference to which writing-down allowances for certain vehicles are limited by section 32(1) of, and paragraph 6 of Schedule 2 to, this Act.

(4) In sections 20 to 24 below, and Schedule 4 to this Act, the expression "new machinery or plant" means machinery or plant being unused and not second-hand, and for the purposes of this Chapter machinery or plant which has at any time fallen within the description "new machinery or plant capital expenditure on the provision of which was incurred after 5th November 1962" shall continue to be treated as within that description notwithstanding any sale of it or other change of circumstances.

20.—(1) Subject to the provisions of this Chapter, the writing-down allowance in respect of any machinery or plant for any chargeable period shall be a percentage of the amount by which the capital expenditure of the person to whom the allowance is to be made in providing the machinery or plant exceeds the total amount of any initial allowance, writing-down allowances, relevant exceptional depreciation allowances and scientific research allowances made to him in respect of that machinery or plant for previous chargeable periods.

Normal
method of
calculation.

(2) Subject to the provisions of this section, the said percentage is such percentage as may be determined by the Board to be appropriate to be applied for the purposes of this section in relation to machinery or plant of the class in question for the year of assessment in question, and in determining the said percentage in relation to machinery or plant of any class, the Board shall have regard to the anticipated normal working life of machinery or plant of that class.

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CHAPTER II

(3) So far as the class in question consists of new machinery or plant capital expenditure on the provision of which was incurred after 5th November 1962, the said percentage shall be—

- (a) where the said life is 18 years or more, 15 per cent.,
- (b) where that life is less than 18 but not less than 14 years, 20 per cent.,
- (c) where that life is less than 14 years, 25 per cent.

(4) So far as the class in question consists of other machinery or plant, the said percentage shall be five-fourths of the percentage (in this Chapter referred to as the “basic percentage”) determined in accordance with this subsection.

The Board shall select, as the basic percentage, the percentage which in their opinion may fairly be taken as that which, if applied year by year throughout the said life as a writing-down percentage applicable in the first year to the cost of such machinery or plant, in the second year to that cost as written down in the first year, in the third year to that cost as written down in the first and second years, and so on, would, at the end of that life, have caused that cost to be written down to one-tenth thereof.

1952 c. 10. (5) If it is shown to the satisfaction of the Board that a percentage which, under section 281(4) of the Income Tax Act 1952 (percentages in use in 1948-49) was deemed to be a percentage determined by them in relation to machinery or plant of any class under the said section 281(2) for the year 1949-50 (whether or not also applying to later years), if applied as a basic percentage in the manner specified in subsection (4) above, would, at the end of the anticipated normal working life of the machinery or plant of that class (estimated as if during the year 1948-49), cause the cost to be written down to a fraction thereof which is smaller than one-tenth, subsection (4) above shall have effect in relation to machinery or plant of that class as if a reference to that smaller fraction were substituted therein for a reference to one-tenth.

(6) It shall not be necessary for the Board to redetermine a percentage under this or the next following section yearly, and any such determination for any year of assessment shall apply also to subsequent years except so far as it is superseded by any subsequent determination.

Schedule 4 to this Act shall have effect as respects the application to years of assessment to which this Act applies of determinations applying to the year 1967-68.

(7) In this section “the anticipated normal working life” means, in relation to machinery or plant of any class, the period which might be expected, when machinery or plant of that class is first put into use, to be going to elapse before it is finally put out of use as being unfit for further use, it being

assumed that it is going to be used in the normal manner and to the normal extent and is going to be so used throughout that period.

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CHAPTER II

21.—(1) Subject to the provisions of this Chapter, the writing-down allowance in respect of any machinery or plant for any chargeable period— Alternative method.

- (a) may, if the person to whom the allowance is to be made so elects when he makes his claim for the allowance, be computed by reference to the amount of his capital expenditure in providing the machinery or plant, and
- (b) shall in that event be the percentage of that amount specified in subsection (2) below.

(2) The said percentage is such percentage as may be determined by the Board in relation to machinery or plant of the class in question for the year of assessment in question by reference to the anticipated normal working life of machinery or plant of that class.

(3) So far as the class in question consists of new machinery or plant capital expenditure on the provision of which was incurred after 5th November 1962, the said percentage shall be—

- (a) where the said life is 18 years or more, $6\frac{1}{4}$ per cent.,
- (b) where that life is less than 18 but not less than 14 years, $8\frac{1}{2}$ per cent.,
- (c) where that life is less than 14 years, $11\frac{1}{4}$ per cent.

(4) So far as the class in question consists of other machinery or plant, the said percentage shall be five-fourths of the percentage (in this Chapter referred to as “the basic percentage”) determined in accordance with this subsection.

The basic percentage is such percentage as may be determined by the Board as being in their opinion equal to nine-tenths of the fraction of which the numerator is one and the denominator is the number of years in the said life.

(5) If it is shown to the satisfaction of the Board that a percentage which, under section 282(3) of the Income Tax Act 1952 (percentages in use in 1948-49), was deemed to be a percentage determined by them in relation to machinery or plant of any class under the said section 282(2) for the year 1949-50 (whether or not also applying to later years) bears to the fraction (with numerator one) specified in subsection (4) above (computed by reference to an anticipated normal working life estimated as if during the year 1948-49) a higher proportion than nine-tenths, subsection (4) above shall have effect in relation to machinery or plant of that class as if for the reference therein to nine-tenths there were substituted a reference to the said higher proportion. 1952 c. 10.

PART I
CHAPTER II

(6) Machinery or plant may be treated for the purposes of this section as being of a different class from other machinery or plant where the one is new when it is acquired and the other is not new when it is acquired, or, in the case of machinery or plant which is not new when it is acquired, where different periods have elapsed between the date when the machinery or plant was made or first put into use and the date of the acquisition thereof.

(7) An election under this section shall not be effective for any chargeable period in relation to any machinery or plant unless the Board are satisfied that the person making the election is keeping, and will keep and make available for inspection, all such records as are necessary to secure that the Board, inspectors and other officers concerned can ensure that the total writing-down allowances made to him for all chargeable periods in respect of that machinery or plant do not exceed the limit imposed by section 27(1) of this Act, due regard being had to any initial allowance, relevant exceptional depreciation allowances and scientific research allowances made to him in respect thereof.

(8) In this section "the anticipated normal working life" has the meaning assigned to it by subsection (7) of the last preceding section, except that, in relation to a class consisting of machinery or plant which is not new when it is acquired, the reference in the said subsection (7) to the first putting into use of the machinery or plant shall be construed as a reference to the first putting into use thereof after the acquisition thereof.

Change from
normal to
alternative
method.

22.—(1) Where an election under section 21 above has effect with respect to any machinery or plant, and the writing-down allowance in respect of the same machinery or plant made to the same person for any previous chargeable period has been calculated in accordance with section 20 of this Act, the writing-down allowance for that machinery or plant for the chargeable period with respect to which the election has effect shall be computed in accordance with the following provisions, that is to say—

- (a) instead of being computed by reference to the amount of the person's expenditure in providing the machinery or plant, it shall be computed by reference to the amount by which that amount exceeds any initial allowance, writing-down allowances, relevant exceptional depreciation allowances and scientific research allowances made to that person in respect of that machinery or plant for the chargeable periods up to and including the said previous chargeable period or, if the writing-down allowance was calculated in accordance with the said section 20 in the case of more

- than one previous chargeable period, up to and including the last of those previous chargeable periods, and
- (b) it shall be computed as if for the percentage which would otherwise apply there were substituted such other percentage as the Board may determine.

In the case of expenditure to which section 21(4) above applies, the references in paragraph (b) above to a percentage are references to the basic percentage.

(2) The references in subsection (1) above to allowances calculated in accordance with section 20 of this Act shall be deemed to include references to allowances for the year 1948-49 or any previous year of assessment calculated by the application of, or of five-fourths of, a percentage intended for application, or for application when multiplied by five-fourths, to a sum which, except in the case of the first year, is less than the cost of the machinery or plant.

(3) Any reference in this section to section 20 of this Act shall be deemed to include a reference to that section as modified by the following sections of this Chapter.

23.—(1) Subject to the provisions of this Chapter, the writing-down allowance for any chargeable period in respect of any machinery or plant used for the purposes of a trade which consists of or includes the working of a mine, oil well or other source of mineral deposits of a wasting nature, being machinery or plant used in connection with the working of the source, shall, if the person to whom the allowance is to be made so elects when he makes his claim for the allowance—

Special method
for use in
connection
with mines,
oil wells, etc.

- (a) be computed by reference to the amount specified in section 20(1) or section 21(1) of this Act, but
- (b) be the percentage of that amount specified in subsection (2) of this section.

(2) The said percentage is such percentage as the Board may determine having regard to the date when the source is likely to cease to be worked and the probable value of the machinery or plant at that date to the person carrying on the trade.

(3) The references to section 20 of this Act contained in subsections (1) and (3) of the last preceding section shall be deemed to include references to this section where the election thereunder is that the allowance shall be computed by reference to the amount specified in section 20(1) of this Act.

(4) The references to section 21 of this Act contained in subsection (1) of the last preceding section shall be deemed to include references to this section where the election thereunder is that the allowance shall be computed by reference to the amount specified in section 21(1) of this Act.

PART I
CHAPTER II
Adjustments of
writing-down
allowances
in special
circumstances.

24.—(1) If the Board are satisfied that the manner in which or the extent to which any machinery or plant is used in any chargeable period is such that the wear and tear thereof is greater or less than that which might be expected to be caused by the use thereof in the normal manner and to the normal extent they may give a direction under this section.

(2) If, in relation to any new machinery or plant capital expenditure on the provision of which was incurred after 5th November 1962, a direction falls to be made under this section for any chargeable period, 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 chargeable period in question, and the writing-down allowance in respect of the machinery or plant for that chargeable period shall be calculated as, by virtue of section 20(3), or by virtue of section 21(3), of this Act, it would be if the relevant percentage for machinery or plant of that class fell to be redetermined for the relevant year of assessment and its anticipated normal working life were as so ascertained.

(3) Subject to subsection (2) above, if, in relation to any machinery or plant, a direction falls to be made under this section for any chargeable period, the writing-down allowance in respect of that machinery or plant for that chargeable period shall be ascertained as if, for the basic percentage specified in section 20(4) or section 21(4) of this Act, or the percentage specified in section 23(2) of this Act, as the case may be, there were substituted such other percentage as the Board may determine.

(4) References in this section to the anticipated normal working life of the machinery or plant shall be construed in accordance with section 20(7) or, as the case may be, section 21(8) of this Act.

(5) Nothing in subsection (2) of this section shall affect the operation of section 23 of this Act.

Writing-down
allowances for
part of a year
of assessment.

25. If a writing-down allowance falls to be made for income tax purposes to any person in respect of any machinery or plant in taxing any trade which is carried on by him for part only of the year of assessment the said allowance, as computed in accordance with the preceding provisions of this Chapter (and in accordance with the provisions, where relevant, of section 31 of this Act, or of section 32 of this Act with Schedule 2) shall be proportionately reduced.

26.—(1) If, within such time and in such manner as may be prescribed by regulations made by the Board under this section, an application is made to the Board by or on behalf of—

- (a) a considerable number of the persons engaged in any class of trade, or
- (b) a considerable number of the persons who use machinery or plant of any class for the purposes of any trade carried on by them, or
- (c) any particular person concerned,

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CHAPTER II
Determination
and review of
percentages.

for the increase, as respects any year of assessment, of any percentage determined or deemed to be determined by the Board for any of the purposes of this Chapter in connection with any class of machinery or plant used in the class of trade in question, in connection with the class of machinery or plant in question, or in connection with any machinery or plant, or class of machinery or plant, used by the applicant, as the case may be, the Board shall consider the application and may, if they think fit, determine or redetermine the percentage in question.

(2) Where an application has been made under subsection (1) of this section, and the Board do not determine or redetermine the percentage in question or the applicant or applicants are dissatisfied with the Board's determination or redetermination thereof, the Board, if required so to do by the applicant or applicants, shall refer the application to a Board of Referees (in this section called "the Referees") appointed in accordance with subsection (7) below, and the Referees shall consider the application:

Provided that where the application is made under paragraph (c) of the said subsection (1), the Referees may, if they think fit, require the applicant to satisfy them, as respects the machinery or plant to which the application relates, that in all the circumstances it is reasonable that an application should be made otherwise than under paragraph (a) or paragraph (b) of that subsection and, in that event, the Referees shall consider the application only in so far as it relates to machinery or plant as respects which they are so satisfied.

(3) On the consideration of an application under subsection (1) of this section, either as respects all or as respects some only of the machinery or plant to which it relates, the Referees may, if they think fit, direct that, as respects the year of assessment to which the application relates, such percentage as the Referees may determine to be appropriate shall be substituted, either wholly or in such cases or classes of cases as the Referees may direct, for the percentage determined or deemed to be determined by the Board, and the liability of all persons concerned to tax shall be determined accordingly and all such assessments,

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adjustments of assessments and repayments of tax shall be made as may be necessary to give effect to the direction.

The preceding sections of this Chapter shall, in relation to the exercise by the Referees of their powers under this subsection, have effect as if the references to the Board included references to the Referees.

(4) The Board may make regulations with respect to the time within which and the manner in which applications under this section are to be made and the procedure to be followed in dealing with any such application.

The power conferred by this subsection to make regulations shall be exercisable by statutory instrument, and any statutory instrument made in the exercise of that power shall be subject to annulment in pursuance of a resolution of either House of Parliament.

(5) No appeal shall lie to the General or Special Commissioners in respect of any matter which may be made or might have been made the subject of an application under this section.

(6) In the case of a percentage increased by five-fourths under section 20(4) or section 21(4) of this Act, references in this section to a percentage are references to the basic percentage.

(7) The Chairman of the Board of Referees shall be appointed by the Lord Chancellor, and the other members of that Board shall be appointed by the Treasury.

This subsection shall come into force for all purposes on 6th April 1968 to the exclusion of the provisions thereby re-enacted.

Limit on
writing-down
allowances.

27.—(1) No writing-down allowance shall be made in respect of any machinery or plant for any chargeable period if the allowance, when added to any initial allowance, relevant exceptional depreciation allowances or scientific research allowances given in respect of the machinery or plant to the person by whom the trade is carried on, and to any writing-down allowances for previous chargeable periods given in respect of the machinery or plant to that person, will make the aggregate amount of the allowances exceed the actual cost to that person of the machinery or plant, including in that actual cost any expenditure in the nature of capital expenditure on the machinery or plant by way of renewal, improvement or reinstatement.

(2) In the case of machinery or plant provided on or after the appointed day, the writing-down allowance for any chargeable period shall not exceed what, apart from any writing-down allowance falling to be made for that chargeable period, would be the amount of the capital expenditure on the provision of the machinery or plant still unallowed as at the beginning of the chargeable period.

28.—(1) A writing-down allowance may be made in respect of any machinery or plant in taxing a trade for any chargeable period notwithstanding that the machinery or plant is also used in that chargeable period for purposes other than those of the trade, but where, in the chargeable period or its basis period, machinery or plant is used for purposes other than those of the trade, the writing-down allowance to be made in respect thereof shall be so much only of the allowance that otherwise would be made as may be just and reasonable having regard to all the relevant circumstances of the case and, in particular, to the extent of the use for the said other purposes during the said chargeable period or its basis period.

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CHAPTER II
Part-time use otherwise than for trade purposes.

(2) Where an initial allowance has been made to a person in respect of any machinery or plant but the amount thereof has been reduced under section 18(5) of this Act on the ground that the machinery or plant will be used for purposes other than those of the trade, any writing-down allowance falling to be made in respect of that machinery or plant to that person shall be calculated as if the reduction had not been made.

29.—(1) No writing-down allowance shall be made to a person in respect of any machinery or plant in taxing a trade for any chargeable period if any sums which are in respect of, or take account of, the wear and tear to that machinery or plant occasioned by its use during that chargeable period or its basis period for the purposes of the trade and do not fall to be taken into account as his income or in computing the profits or gains of any trade carried on by him are, or are to be, payable to him directly or indirectly by the Crown, or by any government or public or local authority, whether in the United Kingdom or elsewhere, or by any person other than the person carrying on the trade:

Effect on writing-down allowances of subsidies towards wear and tear.

Provided that where the sums referred to in this subsection are in respect of, or take account of, part only of the wear and tear therein referred to—

- (a) the preceding provisions of this subsection shall not apply, but
- (b) the amount of the allowance shall be reduced to such extent as may be just and reasonable having regard to all the relevant circumstances of the case.

(2) Where an initial allowance has been made to a person in respect of any machinery or plant, but the amount thereof has been reduced under the proviso to section 18(6) of this Act on the ground that sums which are in respect of, or take account of, part only of the wear and tear of that machinery or plant are or are to be payable to him as therein mentioned, any writing-down allowance falling to be made to him in respect of that machinery or plant shall be calculated as if the reduction had not been made.

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CHAPTER II
Effect on
writing-down
allowances of
previous user
which has not
attracted a
writing-down
allowance.

30.—(1) In determining whether any, and if so what, writing-down allowance falls to be made to a person for any chargeable period in respect of any machinery or plant which has been used by him before that chargeable period, there shall be deemed to have been made to him for every previous chargeable period (including chargeable periods during which the machinery or plant was not used for the purposes of the trade, and chargeable periods during which the trade was not carried on by him) such writing-down allowance or greater writing-down allowance, if any, as would have fallen to be made to him if all the conditions specified in subsection (2) of this section had been fulfilled in relation to every such previous chargeable period.

(2) The said conditions are as follows, that is to say—

- (a) that the trade had been carried on by the person in question ever since the date on which he acquired the machinery or plant and had been so carried on by him in such circumstances that the profits or gains thereof were liable to assessment to tax, and
- (b) that the machinery or plant had been used by him for the purposes of the trade ever since that date, and
- (c) that a proper claim had been duly made by him for a writing-down allowance in respect of the machinery or plant for every relevant chargeable period, and
- (d) that no question arose in connection with any chargeable period as to the machinery or plant having been wholly or partly used by him otherwise than for the purposes of the trade, or as to there being payable to him, directly or indirectly, any sums in respect of, or taking account of, the wear and tear of the machinery or plant.

In the case of a company paragraph (a) above shall not alter the periods which are to be taken as chargeable periods, but if during any time after the year 1965-66, and after the company acquired the machinery or plant, the company has not been within the charge to corporation tax, any year of assessment or part of a year of assessment falling within that time shall be taken as a chargeable period as if it had been an accounting period of the company.

(3) Notwithstanding anything in subsection (1) of this section, the chargeable periods for which a writing-down allowance is to be deemed thereunder to have been made shall not include chargeable periods during which machinery or plant was used only for the purposes of activities carried on by the person in question before the commencement by him of the working of a mine, oil well or other source of mineral deposits of a wasting nature, being activities consisting of—

- (a) searching for or discovering and testing deposits or winning access thereto, or

- (b) the construction of any works which are likely to be of little or no value when the source is no longer worked or, where the source is worked under a foreign concession, which are likely to become valueless when the concession comes to an end to the person working the source immediately before the concession comes to an end.

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CHAPTER II

Ships and motor cars

31.—(1) In the case of writing-down allowances in respect of capital expenditure incurred after 5th April 1965 on the provision of a new ship section 20(1) of this Act shall apply as if, instead of requiring such an allowance for a chargeable period to be a percentage, determined in accordance with the subsequent provisions of the said section 20, of the amount referred to in that subsection, it required the allowance 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 the other subsections of section 20, and sections 21 and 24 of this Act, shall not apply in relation to such allowances. New ships.

(2) For the purposes of this section “new” means unused and not second-hand, but a ship shall not be treated as second-hand in relation to a claimant for an allowance in respect of it by reason of the property in the ship or any part thereof having previously passed to a person other than the claimant, if the ship has not been taken over from the builder by any such person.

32.—(1) Subject to the provisions of this section and of section 19(3) of this Act, the amount of a writing-down allowance in respect of the expenditure incurred on the provision of a vehicle to which this section applies shall not exceed £500. Motor cars.

(2) Where the amount of a writing-down allowance, if calculated in accordance with section 20 of this Act, would be reduced by subsection (1) above, the allowance shall, notwithstanding anything in section 21 or 24 of this Act, be so calculated.

(3) Schedule 2 to this Act shall have effect as respects the application of the Income Tax Acts and the Corporation Tax Acts to vehicles to which this section applies.

(4) Subject to the provisions of this section, the vehicles to which this section applies are mechanically propelled road vehicles constructed or adapted for the carriage of passengers, other than vehicles of a type not commonly used as a private vehicle and unsuitable to be so used.

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CHAPTER II

(5) This section does not apply where a vehicle is provided, or as the case may be hired, wholly or mainly for the purpose of hire to, or the carriage of, members of the public in the ordinary course of trade.

(6) This section does not apply in relation to a vehicle provided by a person who is a manufacturer of such vehicles as are mentioned in subsection (4) above, or of parts or accessories for such vehicles, if he shows that it was provided solely for the purpose of testing the vehicle or parts or accessories for such vehicles:

Provided that if during the period of five years beginning with the time when the vehicle was provided he puts it, to any substantial extent, to a use which does not serve that purpose and that purpose only, this subsection shall be deemed not to have had effect in relation to the vehicle.

(7) Subsections (1) and (2) of this section shall not apply to a writing-down allowance in respect of expenditure incurred before 17th April 1961, or to expenditure incurred under a contract entered into before that date where either—

- (a) the expenditure was incurred within twelve months after that date, or
- (b) the contract is one of hire-purchase or for purchase by instalments.

Balancing allowances, balancing charges, etc.

Balancing allowances and balancing charges.

33.—(1) Subject to the provisions of this section, where any of the following events occurs in the case of any machinery or plant belonging to a person carrying on a trade and provided or used for the purposes of the trade, that is to say, either—

- (a) any event occurring after the setting up and before the permanent discontinuance of the trade whereby the machinery or plant ceases to belong to the person carrying on the trade (whether on a sale of the machinery or plant or in any other circumstances of any description), or
- (b) any event occurring after the setting up and before the permanent discontinuance of the trade whereby the machinery or plant (while continuing to belong to the person carrying on the trade) permanently ceases to be used for the purposes of a trade carried on by him, or
- (c) the permanent discontinuance of the trade, the machinery or plant not having previously ceased to belong to the person carrying on the trade,

an allowance or charge (in this Chapter referred to as “a balancing allowance” or “a balancing charge”) shall, in the

circumstances mentioned in this section, be made to, or as the case may be, on, that person for the chargeable period related to that event:

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Provided that where as respects any machinery or plant an event falling within any of paragraphs (a), (b) or (c) above is followed by another event falling within any of those paragraphs, the later event shall not be treated as an event giving rise, or which may give rise, to a balancing allowance or balancing charge in respect of that machinery or plant.

(2) Where a discontinuance within subsection (1)(c) above occurs which gives rise, or might give rise, to a balancing allowance or balancing charge under this Chapter in respect of machinery or plant, and at or about the time of the discontinuance there occurs in relation to the machinery or plant any event such as is mentioned in paragraph (a), (b), (c) or (d) of section 86(1) of this Act, then for the purposes of this section the amount of any net proceeds, compensation, receipts or insurance moneys mentioned in the said paragraphs (a), (b), (c) and (d) of the said section 86(1) which arise on the last-mentioned event shall be deemed to be an amount of sale, insurance, salvage or compensation moneys arising on the permanent discontinuance of the trade:

Provided that this subsection shall not apply where the event within the said section 86(1) is a sale at less than the open-market price other than a sale to which section 78 of this Act applies; and for the purposes of this proviso—

- (a) "open-market price", in relation to any machinery or plant, means the price which the machinery or plant would have fetched if sold in the open market at the time of the event in question,
- (b) a sale at less than the open-market price does not include a sale in such circumstances that there is a charge to tax under Schedule E by virtue of the provisions of Chapter II of Part VI of the Income Tax Act 1952 c. 10. (taxation of benefits in kind provided for directors and employees).

(3) Where there are no sale, insurance, salvage or compensation moneys, or where the amount of the capital expenditure of the person in question on the provision of the machinery or plant still unallowed as at the time of the event exceeds those moneys, a balancing allowance shall be made, and the amount thereof shall be the amount of the expenditure still unallowed as aforesaid, or, as the case may be, of the excess thereof over the said moneys.

(4) If the sale, insurance, salvage or compensation moneys exceed the amount, if any, of the said expenditure still unallowed

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as at the time of the event, a balancing charge shall be made, and the amount on which it is made shall be an amount equal to the excess or, where the said amount still unallowed is nil, to the said moneys.

(5) Notwithstanding anything in subsection (4) of this section, in no case shall the amount on which a balancing charge is made on a person exceed the aggregate of the following amounts that is to say—

- (a) the amount of the initial allowance, if any, made to him in respect of the expenditure in question, and
- (b) the amount of any writing-down allowance made to him in respect of the machinery or plant in question, and
- (c) the amount of any relevant exceptional depreciation allowance made to him in respect of the machinery or plant, and
- (d) the amount of any scientific research allowances made to him in respect of the expenditure, and
- (e) the amount of any balancing allowance previously made to him in respect of the expenditure.

1952 c. 33. (6) The proviso to subsection (1) above does not apply to any event as being later than an event which occurred before 9th July 1952 (the date of commencement of the Finance Act 1952).

(7) Where the loss of a ship is due to a war risk connected with any war in which His Majesty was engaged on 15th June 1945, then, notwithstanding that the loss occurs after the conclusion of, or of hostilities in, that war, no balancing charge shall be made by reason of the loss in respect of expenditure on the ship.

1939 c. 57. In this subsection, "war risk" means any risk falling within the definition of "war risks" contained in the form of policy set out in the First Schedule to an agreement for reinsurance of British ships made by the Minister of War Transport on 16th September 1943, a copy of which was laid before each House of Parliament on 4th November 1943, in pursuance of section 1(2) of the War Risks Insurance Act 1939.

Notional
sales in
certain cases.

34.—(1) Subject to the provisions of this and the next following section, subsection (2) below shall have effect where an event occurs which gives rise or might give rise to a balancing allowance or balancing charge in respect of machinery or plant, and either—

- (a) the event is the permanent discontinuance of the trade and immediately after the time of the discontinuance the machinery or plant continues to belong to the

person by whom the trade was carried on immediately before the said time and the case is not one falling within subsection (2) of the last preceding section, or

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- (b) the event is the permanent discontinuance of the trade and at the time of the discontinuance the machinery or plant is either sold at less than the open-market price, the sale not being one to which section 78 of this Act applies, or the machinery or plant is given away, or
- (c) the event is the sale of the machinery or plant at less than the open-market price, not being a sale to which the said section 78 applies, or is the gift of the machinery or plant, or
- (d) the event is that, after the setting up and before the permanent discontinuance of the trade, the machinery or plant permanently ceases to be used for the purposes of a trade carried on by the person by whom the first-mentioned trade is being carried on, and so ceases either by reason of that person's transferring the machinery or plant to other use or, on a transfer of the trade which is not treated as involving the discontinuance thereof, by reason of the retention of the machinery or plant by the transferor.

(2) For the purpose of determining whether a balancing allowance or balancing charge falls to be made and, if so, the amount of the allowance or, as the case may be, the amount on which the charge is to be made, the event shall be treated as if it had given rise to sale, insurance, salvage or compensation moneys of an amount equal to the open-market price of the machinery or plant.

(3) Subsection (2) above shall not apply by reason of a gift of machinery or plant if the machinery or plant is given away in such circumstances that there is a charge to tax under Schedule E by virtue of the provisions of Chapter II of Part VI of the Income Tax Act 1952.

1952 c. 10.

(4) In this and the next following section "open-market price", in relation to any machinery or plant, means the price which the machinery or plant would have fetched if sold in the open market at the time of the event in question, and for the purposes of this section a sale at less than the open-market price does not include a sale in such circumstances that there is a charge to tax under Schedule E by virtue of the provisions of Chapter II of Part VI of the Income Tax Act 1952.

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CHAPTER II
Notional
sale: effect
on other
party to
transaction.

35.—(1) Subject to the provisions of this section, where subsection (2) of the last preceding section has effect by reason of the gift or sale of machinery or plant to any person, and that person receives or purchases it with a view to using it for the purposes of a trade carried on by him, then in determining whether any, and if so what, writing-down allowances, balancing allowances or balancing charges are to be made in connection with that trade the like consequences shall ensue as if the recipient or purchaser had purchased the machinery or plant at the open-market price.

(2) Where in a case falling within subsection (1) above the recipient or purchaser and the donor or seller by notice in writing to the inspector jointly so elect, the following provisions shall have effect.

(3) Subsection (2) of the last preceding section and subsection (1) above shall have effect as if for the references to the open-market price there were substituted references to that price or the amount of the expenditure on the provision of the machinery or plant still unallowed immediately before the gift or sale, whichever is the lower.

(4) Notwithstanding anything in the preceding provisions of this Chapter, such balancing charge, if any, shall be made on the recipient or purchaser on any event occurring after the date of the gift or sale as would have fallen to be made on the donor or seller if the donor or seller had continued to own the machinery or plant and had done all such things and been allowed all such allowances in connection therewith as were done by or allowed to the recipient or purchaser.

Demolition
costs.

36.—(1) Where machinery or plant is demolished, and the demolition either gives rise, or might give rise, to a balancing allowance or charge to or on the person incurring the cost of demolition, or (by virtue of section 33(2) of this Act) affects or might affect such an allowance or charge on the permanent discontinuance of a trade, the net cost to him of the demolition shall be added for the purposes of this Chapter to the amount of the capital expenditure incurred on the provision of that machinery or plant still unallowed as at the time of the demolition or of the discontinuance, as the case may be.

(2) The cost or net cost to a person of the demolition of any property shall not, if subsection (1) above applies to it, be treated, for the purposes of this Part or Part II of this Act, as expenditure incurred in respect of any other property by which that property is replaced.

(3) In this section any reference to the net cost of the demolition of any property is a reference to the excess, if any, of the cost of the demolition over any moneys received for the remains of the property.

37. Where any machinery or plant which has been used by a person for the purposes of a trade carried on by him has also been used by him for other purposes, then, in determining whether a balancing allowance or balancing charge falls to be made to or on him in taxing the trade and in determining the amount of the allowance or, as the case may be, the amount on which the charge is to be made, regard shall be had to all the relevant circumstances of the case and, in particular, to the extent of the use for the said other purposes, and there shall be made to or on him an allowance of such an amount, or, as the case may be, a charge on such an amount, as may be just and reasonable.

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CHAPTER II
Part-time use
otherwise than
for trade
purposes.

38. No balancing allowance or balancing charge shall be made to or on any person in respect of any machinery or plant in taxing a trade if any sums which are in respect of, or take account of, the wear and tear to that machinery or plant occasioned by its use for the purposes of the trade, and do not fall to be taken into account as his income or in computing the profits or gains of any trade carried on by him, were paid, or are or are to be payable, to him directly or indirectly by the Crown, or by any government or public or local authority, whether in the United Kingdom or elsewhere, or by any person other than the person carrying on the trade:

Subsidies
towards wear
and tear.

Provided that where the sums referred to in this section are in respect of, or take account of, part only of the wear and tear therein referred to—

- (a) the preceding provisions of this section shall not apply, but
- (b) in determining whether it is an allowance or a charge which is to be made and the amount of the allowance or, as the case may be, the amount on which the charge is to be made, regard shall be had to all the relevant circumstances of the case and there shall be made an allowance of such an amount or, as the case may be, a charge on such an amount, as may be just and reasonable.

39.—(1) Subject to the provisions of this section, the provisions of section 30 of this Act shall apply for the purposes of determining whether any, and if so what, balancing allowance or balancing charge falls to be made to or on a person as they apply for the purpose of determining whether any, and if so what, writing-down allowance falls to be made to a person.

Effect on
balancing
allowances and
balancing
charges of
previous user
which has not
attracted
allowances.

(2) The only chargeable periods for which a writing-down allowance is to be deemed for the purposes of this section to have been made shall be chargeable periods during which the machinery or plant was not used by the person in question for

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the purposes of the trade and chargeable periods during which the trade was not carried on by him, or was not carried on by him in such circumstances that the profits or gains thereof were liable to assessment to tax.

(3) Nothing in this section shall affect the provisions of section 33(5) of this Act.

Option in
case of
replacement
of machinery
or plant.

40.—(1) Where machinery or plant in the case of which any of the events mentioned in section 33(1) of this Act has occurred is replaced by the owner thereof and a balancing charge falls to be made on him by reason of that event, or, but for the provisions of this subsection, would have fallen to be made on him by reason thereof, then, if by notice in writing to the inspector he so elects, the following provisions shall have effect, that is to say—

(a) if the amount on which the charge would have been made is greater than the capital expenditure on providing the new machinery or plant—

(i) the charge shall be made only on an amount equal to the difference, and

(ii) no initial allowance, no balancing allowance and no writing-down allowance shall be made in respect of the new machinery or plant or the expenditure on the provision thereof, and

(iii) in considering whether any, and if so what, balancing charge falls to be made in respect of the expenditure on the new machinery or plant, there shall be deemed to have been made in respect of that expenditure an initial allowance equal to the full amount of that expenditure,

(b) if the capital expenditure on providing the new machinery or plant is equal to or greater than the amount on which the charge would have been made—

(i) the charge shall not be made, and

(ii) the amount of any initial allowance in respect of the said expenditure and the amount of any writing-down allowance shall be calculated as if the expenditure had been reduced by the amount on which the charge would have been made, and

(iii) in considering whether any, and if so what, balancing allowance or balancing charge falls to be made in respect of the new machinery or plant, the initial allowance granted in respect thereof shall be deemed to have been increased by an amount equal to the amount on which the charge would have

been made or, if no initial allowance is granted, there shall be deemed to have been made an initial allowance equal to that amount.

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(2) Where a person carrying on a trade replaces any machinery or plant, provided before the appointed day, which has become obsolete and that person by notice in writing to the inspector so elects—

(a) in estimating the profits or gains of the trade there shall be allowed to be deducted as expenses incurred in any chargeable period so much of any amount expended in that chargeable period in replacing the machinery or plant as is equivalent to the cost of the machinery or plant replaced after deducting from that cost—

(i) the total amount of any initial allowance, writing-down allowances, relevant exceptional depreciation allowances and scientific research allowances which have been made in respect of the machinery or plant replaced, and

(ii) any sum realised by the sale of the machinery or plant replaced, and

(b) no balancing allowance shall be made in respect of the machinery or plant replaced.

(3) Notwithstanding section 36(2) of this Act, the cost of demolishing any machinery or plant which is replaced by other machinery or plant shall be treated for the purposes of subsection (2) above both as an amount expended in replacing the machinery or plant and as part of the cost of the machinery or plant replaced.

Supplemental

41. References in this Chapter to the amount still unallowed of any expenditure as at any time shall be construed as references to the amount of that expenditure less—

Meaning of
“expenditure
unallowed.”

(a) the initial allowance, if any, made in respect thereof to the person who incurred it, and

(b) any writing-down allowances made to him in respect of the machinery or plant on the provision of which the expenditure was incurred, being allowances made for any chargeable period such that the chargeable period or its basis period ended before the time in question, and

(c) any relevant exceptional depreciation allowance made to him in respect of that machinery or plant, and

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(d) any scientific research allowance made to him in respect of that machinery or plant, and

(e) any balancing allowance made to him in respect of the expenditure.

Allowances to lessors of machinery and plant.

42.—(1) Where machinery or plant is let upon such terms that the burden of the wear and tear thereof falls directly upon the lessor, there shall be made to him, for each chargeable period, an allowance on account of the wear and tear of so much of the machinery or plant as is in use at the end of the chargeable period:

Provided that if the letting continues for part only of the chargeable period, the allowance, as computed in accordance with the preceding provisions of this Chapter, shall be proportionately reduced.

(2) The provisions of this Chapter shall apply in relation to any such lessor of machinery or plant as is mentioned in subsection (1) of this section as if the machinery or plant were, during the period of the letting, in use for the purposes of a trade carried on by him, and as if any reference to writing-down allowances included a reference to any allowance made under this section.

Allowances to lessees of machinery and plant.

43.—(1) Where machinery or plant is let to the person by whom the trade is being carried on, on the terms of his being bound to maintain the same and deliver it over in good condition at the end of the lease, the machinery or plant shall be deemed to belong to that person for the purposes of section 19 of this Act and that person shall be deemed for those purposes to have incurred, at the time of the letting, capital expenditure equal to so much of the capital expenditure on the provision of the machinery or plant as may appear to the inspector to be just and reasonable:

Provided that this subsection shall not apply to any machinery or plant unless the inspector is satisfied, having regard to all the relevant circumstances of the case, that the burden of the wear and tear of the machinery or plant will in fact fall directly upon that person.

On an appeal to the General Commissioners or Special Commissioners, the Commissioners shall have jurisdiction to review any relevant decision taken by the inspector under this subsection.

(2) Section 31 of this Act shall not apply to allowances falling to be made to a person in respect of expenditure on the provision of a ship treated as incurred by him by virtue of subsection (1) above unless the contract of letting provides that he shall or may become the owner of the ship on the performance of the

contract; and where the contract so provides, but without becoming the owner of the ship he ceases to be entitled (otherwise than on his death) to the benefit of the contract so far as it relates to the ship, section 31 of this Act shall be deemed not to have applied to allowances falling to be made to him in respect of the ship.

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CHAPTER II

(3) Where section 31 of this Act is to be deemed not to have applied to allowances for any period, there shall be made all such assessments and adjustments of assessments as may be necessary.

44.—(1) In taxing a trade carried on in partnership the same allowances, deductions and charges shall be allowed or made under this Chapter in respect of machinery or plant used for the purposes of that trade and belonging to one or more of the partners but not being partnership property as would fall to be allowed or made if the machinery or plant had at all material times belonged to all the partners and been partnership property and everything done by or to any of the partners in relation thereto had been done by or to all the partners.

Partnership
using
property of
a partner.

(2) Notwithstanding anything in section 33 of this Act, a sale or gift of machinery or plant used for the purposes of a trade carried on in partnership, being a sale or gift by one or more of the partners to one or more of the partners, shall not be treated as an event giving rise to a balancing allowance or balancing charge if the machinery or plant continues to be used after the sale or gift for the purposes of that trade.

(3) References in this section to use for the purposes of a trade do not include references to use in pursuance of a letting by the partner or partners in question to the partnership or to use in consideration of the making to the partner or partners in question of any payment which may be deducted in computing the profits or gains of the trade.

45. Where a person carrying on a trade incurs capital expenditure on alterations to an existing building incidental to the installation of machinery or plant for the purposes of the trade, the provisions of this Chapter shall have effect as if the said expenditure were expenditure on the provision of that machinery or plant and as if the works representing that expenditure formed part of that machinery or plant.

Building
alterations
connected with
installation
of machinery
or plant.

46.—(1) Any allowance or charge made to or on any person under the preceding provisions of this Chapter shall, unless it is made under or by virtue of section 40(2) of this Act, or under or by virtue of section 42 of this Act, be made to or on that person in taxing his trade.

Manner of
making
allowances
and charges.

PART I
CHAPTER II

(2) Any allowance made under or by virtue of section 42 of this Act shall be made by way of discharge or repayment of tax and shall be available primarily against income from the letting of machinery or plant.

(3) Effect shall be given to any charge made under or by virtue of section 42 of this Act—

- (a) if a charge to income tax, by making the charge under Case VI of Schedule D,
- (b) if a charge to corporation tax, by treating the amount on which the charge is to be made as income from the letting of machinery or plant.

Application to professions, etc., and profits arising from occupation of land.

47.—(1) Subject to the provisions of this and the next following section, the provisions of this Chapter shall, with any necessary adaptations, apply in relation to—

- (a) professions, employments, vocations and offices, and
- (b) the occupation of woodlands, where the profits or gains thereof are assessable under Schedule D,

as they apply in relation to trades.

(2) Where the profits or gains arising to any person from the occupation of lands (including woodlands) have, for any chargeable period, been determined by reference to assessable value, the amount still unallowed, as at any time after the end of that chargeable period, of any expenditure incurred by that person on the provision of machinery or plant in connection with those lands shall be determined, and section 27(1) of this Act shall apply, as if there had fallen to be made to him for that chargeable period the like writing-down allowances as would have fallen to be made if, for that chargeable period, the profits or gains arising from the occupation of the lands had been determined otherwise than by reference to assessable value.

(3) The operation of the provisions of subsection (2) of this section in relation to balancing allowances and balancing charges shall not be affected by anything in section 39 of this Act, but where an allowance is deemed to have been made for any chargeable period by virtue of the said subsection (2) an allowance shall not also be deemed to have been made for the same chargeable period by virtue of the said section 39.

(4) Without prejudice to the provisions of section 98(2) of this Act, the provisions of this Chapter as applied by this section have effect subject to paragraph 2 of Schedule 2 to the Finance Act 1956 (offices and employments with duties abroad).

- 48.—(1) Where a person succeeds to any trade which until that time was carried on by another person and, by virtue—
- PART I
CHAPTER II
Successions
to trades.
1953 c. 34.
1965 c. 25.
- (a) of section 19 of the Finance Act 1953 (changes in ownership of trade), or
- (b) of any provision of Part IV of the Finance Act 1965, other than paragraph 7 of Schedule 16 (overseas trade corporations),

the trade is to be treated as discontinued, any property which, immediately before the succession takes place, was in use for the purposes of the discontinued trade and, without being sold, is, immediately after the succession takes place, in use for the purposes of the new trade shall, for the purposes of this Chapter, be treated as if it had been sold to the successor when the succession takes place, and as if the net proceeds of the sale had been the price which that property would have fetched if sold in the open market:

Provided that no initial allowance shall be made by virtue of the provisions of this subsection.

(2) Where a person succeeds to a trade as a beneficiary under the will or on the intestacy of a deceased person who carried on that trade, the following provisions of this subsection shall, if the beneficiary by notice in writing to the inspector so elects, have effect in relation to any machinery or plant which passes to him together with the trade, being machinery or plant previously owned by the deceased person and used by him for the purposes thereof, that is to say—

- (a) the reference in subsection (1) above to the price which the machinery or plant would have fetched if sold in the open market shall, in relation to the succession and any previous succession occurring on or after the death of the deceased, be deemed to be a reference to that price or the amount of the expenditure on the provision of the machinery or plant still unallowed immediately before the succession in question, whichever is the lower, and
- (b) notwithstanding anything in subsection (1) above, such balancing charge, if any, shall be made on the beneficiary on any event occurring after his succession as would have fallen to be made on the deceased if he had not died and had continued to own the machinery or plant and had done all such things and been allowed all such allowances in connection therewith as were done by or allowed to the beneficiary or the successor on any such previous succession as is mentioned in paragraph (a) above.

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CHAPTER III

MINES, OIL WELLS, ETC.

The main allowances

Qualifying expenditure: general provisions.

51.—(1) “Qualifying expenditure” in the provisions of this Chapter shall be construed in accordance with this and the three next following sections.

(2) “Qualifying expenditure” means, subject to subsections (3) and (4) below, capital expenditure incurred by any person in connection with the working of a mine, oil well or other source of mineral deposits of a wasting nature—

- (a) on searching for or on discovering and testing deposits, or winning access thereto, or
- (b) on the construction of any works which are likely to be of little or no value when the source is no longer worked or, where the source is worked under a foreign concession, which are likely to become valueless when the concession comes to an end to the person working the source immediately before the concession comes to an end.

(3) Subject to the following provisions of this Chapter, qualifying expenditure does not include—

- (a) any expenditure on the acquisition of the site of the source, or of the site of any such works as aforesaid, or of rights in or over any such site, or
- (b) any expenditure on the acquisition of, or of rights in or over, the deposits, or
- (c) any expenditure on works constructed wholly or mainly for subjecting the raw product of the source to any process, except a process designed for preparing the raw product for use as such, or
- (d) any expenditure on buildings or structures provided for occupation by or for the welfare of workers, or
- (e) any expenditure on a building where the whole of the building was constructed for use as an office, or
- (f) any expenditure on so much of a building or structure as was constructed for use as an office, unless the capital expenditure on the construction of the part of the building or structure constructed for use as an office was not more than one-tenth of the capital expenditure incurred on the construction of the whole of the building or structure.

(4) Subject to the next following section, qualifying expenditure does not include any expenditure on machinery or plant, or on any asset which has been treated for any chargeable period as machinery or plant.

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CHAPTER III

52.—(1) Notwithstanding section 51(4) above expenditure within section 51(2)(a) above shall, subject to the other provisions of this Chapter, include expenditure on machinery or plant: Machinery and plant used for exploration.

Provided that this Part of this Act shall have effect subject to Schedule 5 to this Act.

(2) Notwithstanding anything in subsection (1) above, where in any chargeable period a machinery or plant allowance is or has been made in respect of any expenditure, that expenditure shall not by virtue of subsection (1) above be treated in relation to that or any subsequent chargeable period as qualifying expenditure.

In this subsection “machinery or plant allowance” means an initial allowance under Chapter II of this Part of this Act, or a writing-down allowance within the meaning of the said Chapter II.

53.—(1) Subject to this section, capital expenditure incurred by any person in connection with the working of a mine, oil well or other source of mineral deposits of a wasting nature outside the United Kingdom, being expenditure on the acquisition of, or of rights in or over, the deposits, shall, notwithstanding anything in section 51 of this Act, be qualifying expenditure: Overseas mineral rights.

Provided that this Part of this Act shall have effect subject to Schedule 5 to this Act.

(2) References in this section to expenditure on the acquisition of deposits or rights shall not in any event include—

- (a) expenditure which, apart from this and the next following section, is qualifying expenditure as defined in section 51(1) of this Act, or
- (b) expenditure on machinery or plant, or on any asset which has been treated for any chargeable period as machinery or plant, or
- (c) expenditure on any building or structure.

(3) References in this section to capital expenditure include references to any payments of minimum royalties or dead rents,

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CHAPTER III

of the qualifying expenditure which he has incurred for the purposes of the trade and in connection with that source at any time before the end of the said chargeable period or its basis period.

(2) The amount of the said allowance shall be the amount which results from applying to the residue of the expenditure the

fraction $\frac{A}{A + B}$ where—

“ A ” is the output from the source in question in the chargeable period in question or its basis period, and

“ B ” is the total potential future output of the source, estimated as at the end of the said chargeable period or its basis period,

or the alternative fraction specified in subsection (3) below, whichever is the greater.

(3) The said alternative fraction is one-twentieth, so, however, that for a chargeable period of less than a year that alternative fraction shall be proportionately reduced.

(4) Where the source ceases to be worked or, in the case of a source worked under a foreign concession, the concession comes to an end, the person carrying on the trade may elect that the writing-down allowances, if any, for any chargeable period beginning within the six years which end with the date of that event shall be computed as if the reference in subsection (2) of this section to the total potential future output of the source estimated as at the end of the chargeable period or its basis period were a reference to the actual output of the source between the end of the chargeable period or its basis period and the happening of the said event, and the said allowances shall be computed accordingly, and notwithstanding anything in the Income Tax Acts or the Corporation Tax Acts limiting the time for the making of assessments or the allowance of claims for repayment, all such repayments and assessments shall be made as are necessary to enable effect to be given to this subsection.

(5) Subsection (1) above shall not apply to expenditure incurred before the appointed day, but where, on the appointed day, a person was carrying on a trade which consisted of or included the working of a mine, oil well or other source of mineral deposits of a wasting nature, the preceding provisions of this section shall have effect as if he had on that day incurred for the purposes of the trade and in connection with the source qualifying expenditure of the amount specified in Schedule 6 to this Act:

Provided that if he considers that that amount is inadequate having regard to the dates on which qualifying expenditure was

actually incurred in connection with the source before the appointed day, he may apply to the inspector for relief, and the inspector may authorise such increase in that amount as may be appropriate.

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CHAPTER III

On an appeal to the General Commissioners or Special Commissioners, the Commissioners shall have jurisdiction to review any relevant decision taken by the inspector under this subsection.

(6) References in this section to the residue of any expenditure, in relation to the writing-down allowance to be made for any chargeable period, are references to the amount thereof which remains after deducting therefrom—

- (a) any initial allowances made in respect of that expenditure or any part thereof for that or any previous chargeable period, and
- (b) any writing-down allowances made in respect of that expenditure or any part thereof for any previous chargeable period, and
- (c) where the expenditure consists of or includes expenditure on a building, any relevant exceptional depreciation allowances made in respect of the building for the year 1946-47, and
- (d) subject to the provisions of the next following section, if, before the end of the chargeable period for which the allowance is to be made, or its basis period, any asset representing the expenditure is sold or demolished or destroyed, the sale, insurance, salvage or compensation moneys.

58.—(1) The provisions of this section shall have effect where—

- (a) a person who is carrying on a trade which consists of or includes the working of a mine, oil well or other source of mineral deposits of a wasting nature sells assets representing qualifying expenditure, and
- (b) the buyer of those assets buys them for the purposes of a trade carried on or to be carried on by him, being a trade which consists of or includes the working of the whole or any part of the source in connection with which the assets were provided.

(2) If the net proceeds of the sale are less than the residue of the expenditure on the assets immediately before the sale, an allowance (in this Chapter referred to as “a balancing allowance”) shall be made to the seller, for the chargeable period related to the sale, equal to the difference.

Sale of source
or part of
source as
going concern.

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CHAPTER III

(3) If the net proceeds of the sale exceed the residue of the expenditure on the assets immediately before the sale, a charge (in this Chapter referred to as "a balancing charge") shall be made on the seller, for the chargeable period related to the sale, on the amount of the excess.

(4) If the source in connection with which the expenditure was incurred has been worked before the appointed day, subsections (2) and (3) of this section shall have effect subject to the modification that the amount of the balancing allowance or the amount on which the balancing charge is made shall be

A

reduced by applying thereto the fraction $\frac{\text{A}}{\text{B}}$ where—

B

"A" is the total output from the source in the period which begins with the appointed day and ends with the time of the sale, and

"B" is the total output from the source up to the time of the sale:

Provided that if the person to whom a balancing allowance is to be made in respect of any expenditure considers that the amount by which the allowance is to be reduced under this subsection is excessive having regard to the dates on which the expenditure was actually incurred, he may apply to the inspector for relief, and the inspector may authorise such smaller reduction as may be appropriate.

On an appeal to the General Commissioners or Special Commissioners, the Commissioners shall have jurisdiction to review any relevant decision taken by the inspector under this subsection.

(5) In no case shall the amount on which a balancing charge is made upon a person in respect of any assets exceed the difference between—

- (a) the qualifying expenditure which he incurred upon the assets, and
- (b) the residue of that expenditure immediately before the sale.

(6) Whether a balancing allowance or balancing charge is made upon the seller or not, the deduction to be made in the case of the seller in respect of the assets under subsection (6)(d) of the last preceding section shall, instead of being the sale, insurance, salvage or compensation moneys, be the residue of the expenditure attributable to the assets immediately before the sale.

(7) The buyer shall, for the purposes of the provisions of this Chapter relating to writing-down allowances, balancing allowances and balancing charges, be deemed to have incurred

on the assets at the time of the sale qualifying expenditure equal to whichever is the less of the following amounts, that is to say—

- (a) so much of the price as is attributable to the assets, and
- (b) the residue of the expenditure on the assets immediately after the sale:

Provided that this subsection shall not apply in relation to a sale before the appointed day.

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CHAPTER III

59. Where a person incurs qualifying expenditure on searching for, discovering and testing the mineral deposits of any mine, oil well or other source of a wasting nature and winning access to those deposits, and, without having carried on any trade which consists of or includes the working of the source, he sells any assets representing that expenditure, then, if the person who acquires the assets carries on such a trade as aforesaid in connection with the source, that person shall, for the purposes of this Chapter, be deemed to have incurred for the purposes of the trade and in connection with the source qualifying expenditure equal to the amount of the qualifying expenditure which is represented by the assets or the price paid by him for the assets, whichever is the smaller.

Expenditure incurred by persons not engaged in the trade of mining, etc.

Other allowances

60.—(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 the chargeable period related to the incurring of the expenditure and subsequent chargeable periods to a writing-down allowance in respect of the expenditure.

Writing-down allowances for mineral depletion in the United Kingdom.

(2) Subject as aforesaid, the writing-down allowance for a chargeable period shall be equal to the fraction mentioned below of the royalty value of the output in that chargeable period or its basis period 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 chargeable period or its basis period, one-half,
- (b) where that first working was less than twenty but not less than ten years before the end of the chargeable period or its basis period, one-quarter,
- (c) in any other case, one-tenth.

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CHAPTER III

1963 c. 25.

(3) A writing-down allowance under this section in respect of any expenditure shall not be made to a person for a chargeable period unless the amount of the expenditure exceeds the aggregate of any allowances under this section made to him for previous chargeable periods in respect of the expenditure together with any capital sums accruing to him in or before the said chargeable period or its basis period 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 section 37 of the Finance Act 1963 (which is re-enacted in this section) had always had effect.

(4) Where in any chargeable period or its basis period a person ceases to work the source to which capital expenditure incurred by him relates and, apart from this and the last preceding subsection, a writing-down allowance under this section would fall to be made to him for that chargeable period 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 chargeable periods 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 4th April 1963), a balancing charge on an amount equal to the excess shall be made on him for that chargeable period, or
- (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 chargeable period.

(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 subsection (4) above 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 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.

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CHAPTER III

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 for the chargeable period related to his ceasing to work the source to which the expenditure relates, or for a previous chargeable period, and in a later chargeable period or its basis period he again begins to work the source, then—

- (a) in computing, in accordance with subsection (2) of this section, the amount of a writing-down allowance for the later chargeable period or any subsequent chargeable period, 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 chargeable periods, 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) 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 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

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CHAPTER III

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.

(9) Where in any chargeable period or its basis period 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 chargeable period and subsequent chargeable periods 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 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, and
- (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.

(10) References in this section to expenditure on the acquisition of an asset do not include—

- (a) qualifying expenditure as defined in section 51(1) of this Act, or
- (b) expenditure on machinery or plant, or on any asset which has been treated for any chargeable period as machinery or plant, or

(c) expenditure on any building or structure,

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CHAPTER III

and where expenditure was incurred on the acquisition of an asset in respect of which, for chargeable periods previous to a chargeable period 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 the Finance Act 1963, 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 chargeable periods, would have been excluded by paragraph 5 of that Schedule. 1963 c. 25.

(11) In this section—

“basis period” means, for any year of assessment, the period on the profits or gains of which income tax for that year falls to be finally computed under Case I of Schedule D in respect of the trade in question or, where, by virtue of any provision of section 127 of the Income Tax Act 1952, the profits or gains of any other period are to be taken to be the profits or gains of the said period, that other period; 1952 c. 10.

“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;

“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.

(12) This subsection shall have effect for determining for the purposes of this section the amount of any capital sum accruing to a person by virtue of his acquisition of a mineral asset.

Where the property in question is sold at a price other than that which it would have fetched if sold in the open market, the like consequences shall ensue for the said purposes as would have ensued if the property had been sold for the price which it would have fetched if sold in the open market.

PART I
CHAPTER III
Contributions
by mining
concerns to
public services,
etc., outside
the United
Kingdom.

61.—(1) Subject to the provisions of this section, where a person, for the purposes of a trade carried on by him which consists of or includes the working of a mine, oil well or other source of mineral deposits of a wasting nature outside the United Kingdom, incurs expenditure by contributing a capital sum to the cost of—

- (a) buildings to be occupied by persons employed at or in connection with the working of that source, or
- (b) works for the supply of water, gas or electricity wholly or mainly to buildings occupied or to be occupied by persons so employed, or
- (c) works to be used in providing other services or facilities wholly or mainly for the welfare of persons so employed or their dependants,

and the buildings or works are likely to be of little or no value when the source is no longer worked, then writing-down allowances shall be made to him in respect of that expenditure during a writing-down period of ten years beginning with the chargeable period related to the incurring of the expenditure.

(2) This section shall not apply—

- (a) to expenditure resulting in the acquisition of an asset by the person incurring the expenditure, or
- (b) to expenditure in respect of which an allowance may be made under any other provision of the Income Tax Acts or the Corporation Tax Acts (or might be so made if this section, and section 22 of the Finance Act 1952, which is re-enacted in this section, had not been passed).

1952 c. 33.

(3) If a person who has incurred expenditure to which this section applies in connection with any source of mineral deposits sells his interest in that source to a person who buys it for the purpose of a trade carried on or to be carried on by him, being a trade which consists of or includes the working of that source, then—

- (a) no allowance in respect of that expenditure shall be made to the first-mentioned person for any chargeable period after the chargeable period related to the sale, and the allowance (if any) to be made to him for the chargeable period related to the sale shall be the fraction of the full allowance which the part of the chargeable period related to the sale falling before the sale is of the whole of the said chargeable period related to the sale, and

- (b) for the part of the writing-down period remaining at the beginning of the last chargeable period for which an allowance is made to the first-mentioned person, allowances shall be made to the second-mentioned person as if he had incurred the expenditure for the purposes of the said trade, but so that the allowance for a chargeable period not wholly comprised in that part of the writing-down period shall be proportionately reduced.

(4) If a person who has incurred expenditure to which this section applies in connection with any source of mineral deposits sells his interest in part of that source to a person who buys it for the purpose of a trade carried on or to be carried on by him, being a trade which consists of or includes the working of that part of the source, then the last preceding subsection shall apply to so much of the expenditure as is referable to that part of the source as it would apply to the whole of the expenditure on a sale extending to the whole of the source, and any allowance in respect of the expenditure shall be apportioned accordingly.

62.—(1) Subject to the provisions of this section, where the person carrying on a trade which consists of or includes the working of any mine, oil well or other source of mineral deposits of a wasting nature incurs expenditure in connection with that trade on searching for, or on discovering and testing, the mineral deposits of any source or winning access thereto, but gives up the search, exploration or inquiry upon which the expenditure is incurred without having carried on any trade which consists of or includes the working of the source in question, then in computing for the purposes of tax the profits or gains or losses of the trade in connection with which the expenditure is incurred there shall be allowed a deduction of an amount equal to the amount of that expenditure as if it were expenses incurred for the purpose of the trade at the time when he gives up the search, exploration or inquiry.

Expenditure by mining concerns on abortive exploration.

(2) This section shall not apply—

- (a) to expenditure incurred in the course of a trade which consists of or includes the searching for, discovering and testing of mineral deposits and winning access thereto, if it is expenditure which is, apart from this section, allowed to be deducted in computing, for the purposes of tax, the profits or gains of that trade, or
- (b) to any other expenditure incurred by a person in connection with a source, unless it would have been qualifying expenditure as defined in section 51(1) of this Act if he had begun working the source in the course

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CHAPTER III

of a trade at the time when he gives up the search, exploration or inquiry,

and the same expenditure shall not be taken into account for the purposes of this section in relation to more than one trade.

(3) The preceding provisions of this section shall not affect the right to any deduction or allowance under any other provision of the Income Tax Acts or the Corporation Tax Acts, but—

- (a) a person shall not be entitled to a deduction or allowance in respect of the same expenditure both under this section and under some other provision of those Acts, and
- (b) section 59 of this Act shall not apply to expenditure in respect of which a deduction has been allowed under this section.

Supplemental

Regulations.

63.—(1) The Board may make regulations for carrying this Chapter into effect, and those regulations may in particular—

- (a) lay down rules for determining the extent of the mineral deposits which are to be taken, for all or any of the purposes of this Chapter, as constituting a source and the amount of the output from a source in any year or over any period, and in estimating total potential future output for any of those purposes,
- (b) lay down rules for determining the residue of the expenditure attributable to an asset immediately before, or immediately after, the sale thereof,
- (c) in relation to cases in which, by virtue of the provisions of this Chapter, a person is deemed to have incurred expenditure on the appointed day, lay down rules for determining what assets are to be treated as representing that expenditure and how much of that expenditure is to be treated as incurred on any particular asset,
- (d) lay down rules for determining, for the purposes of any application under this Chapter, whether and by how much—
 - (i) the amount of the expenditure which, under this Chapter, a person is to be treated as having incurred on the appointed day is inadequate, or
 - (ii) the amount by which any allowance is to be reduced under this Chapter is excessive.

(2) The power conferred by this section to make regulations shall be exercisable by statutory instrument and all regulations

under this section shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament.

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CHAPTER III

(3) References in subsection (1) above to this Chapter do not include references to section 60 of this Act.

64. Any expenditure incurred for the purposes of a trade by a person about to carry it on shall be treated for the purposes of the provisions of this Chapter, other than section 60, as if it had been incurred by that person on the first day on which he does carry it on.

Expenditure prior to commencement of trade.

65.—(1) In this Chapter “the appointed day” means—

(a) in relation to expenditure which is qualifying expenditure by virtue of section 52 or section 54 of this Act, 6th April 1952,

(b) in relation to expenditure to which section 53(1) of this Act applies, 6th April 1949,

(c) in relation to any other qualifying expenditure as defined at the beginning of this Chapter, 6th April 1946.

Interpretation of Chapter III.

(2) Any reference in this Chapter to assets representing any expenditure includes, in relation to expenditure on searching for, discovering and testing deposits, any results obtained from any search, exploration or inquiry upon which the expenditure was incurred.

66. All allowances and charges falling to be made under this Chapter to or on any person shall be made to or on him in taxing his trade.

Manner of making allowances and charges.

CHAPTER IV

DREDGING

67.—(1) Subject to the provisions of this section, where a person for the purposes of any qualifying trade carried on by him incurs capital expenditure on dredging, and either the trade consists of the maintenance or improvement of the navigation of a harbour, estuary or waterway or the dredging is for the benefit of vessels coming to, leaving or using any dock or other premises occupied by him for the purposes of the trade, then—

Capital allowances for expenditure on dredging.

(a) an initial allowance shall be made for the first relevant chargeable period to the person incurring the expenditure, and, subject to Schedule 1 to this Act, the amount of the initial allowance shall be three-twentieths of the expenditure, and

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CHAPTER IV

(b) writing-down allowances shall be made in respect of that expenditure to the person for the time being carrying on the trade during a writing-down period of twenty-five years (or, where the expenditure was incurred before 6th November 1962, fifty years) beginning with the first relevant chargeable period, but where a writing-down allowance falls to be made for a year of assessment to such a person, and he is within the charge to income tax in respect of the trade for part only of that year, that part shall be treated as a separate chargeable period for the purposes of computing allowances under this section.

(2) If the trade is permanently discontinued in any chargeable period, then for that chargeable period there shall be made to the person last carrying on the trade, in addition to any other allowance made to him, an allowance equal to the amount of the expenditure less the allowances made in respect of it under the preceding subsection for that and previous chargeable periods.

1956 c. 54. The reference in this subsection to allowances made for previous chargeable periods (which, by virtue of Part III of this Act, may include allowances under section 17 of the Finance Act 1956, which is re-enacted in this section) shall be construed, except as regards initial allowances, as if the said section 17 had always had effect (instead of having effect only for chargeable periods after the year 1955-56).

1953 c. 34. (3) For the purposes of this section, a trade shall not be treated by virtue of section 19 of the Finance Act 1953 (changes in persons carrying on a trade), or by virtue of any provision of Part IV of the Finance Act 1965 other than paragraph 7 of Schedule 16 (overseas trade corporations), as permanently discontinued; but, subject to section 61(2) of the Finance Act 1965 (company reconstructions, etc.), where a trade is sold, it shall be treated for those purposes as having been permanently discontinued at the time of the sale, unless the sale is such a sale as is specified in section 78 of this Act.

1965 c. 25.

(4) Any allowance under this section shall be made in taxing the trade.

(5) Where expenditure is incurred partly for the purposes of a qualifying trade and partly for other purposes, subsection (1) of this section shall apply to so much only of that expenditure as on a just apportionment ought fairly to be treated as incurred for the purposes of that trade.

(6) In this section “qualifying trade” means any trade or undertaking which, or a part of which, complies with any of the following conditions, that is to say—

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- (a) the condition that it consists of the maintenance or improvement of the navigation of a harbour, estuary or waterway, or
- (b) any condition set out in the provisions of section 7(1) of this Act,

but where part only of a trade or undertaking complies with those conditions, subsection (5) of this section shall apply as if the part which does and the part which does not comply were separate trades.

(7) Where a person incurs capital expenditure for the purposes of a trade or part of a trade not yet carried on by him but with a view to carrying it on, or incurs capital expenditure in connection with a dock or other premises not yet occupied by him for the purposes of a qualifying trade but with a view to so occupying the dock or premises, the preceding provisions of this section shall apply as if he had been carrying on the trade or part of the trade or occupying the dock or premises for the purposes of the qualifying trade, as the case may be, at the time when the expenditure was incurred.

(8) For the purposes of this section, the first relevant chargeable period, in relation to expenditure incurred by any person, is the chargeable period related to the following event or occasion, that is—

- (a) the incurring of the expenditure, or
- (b) in the case of expenditure for which allowances are to be made by virtue of subsection (7) of this section, the occasion when he first both carries on the trade or part of the trade for the purpose of which the expenditure was incurred, and occupies for the purposes of that trade or part of the trade the dock or other premises in connection with which it was incurred.

(9) Where a person contributes a capital sum to expenditure on dredging incurred by another person, he shall be treated as incurring capital expenditure on that dredging, and capital expenditure incurred by any person shall not be treated as incurred for the purposes of any trade carried on or to be carried on by him in so far as it has been or is to be met directly or indirectly by the Crown or by any government or public or local authority, whether in the United Kingdom or elsewhere, or by capital sums contributed by any other person for purposes other than those of that trade.

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CHAPTER IV

(10) In this section "dredging" does not include things done otherwise than in the interests of navigation, but (subject to that) includes the removal of anything forming part of or projecting from the bed of the sea or of any inland water, by whatever means it is removed and whether or not at the time of removal it is wholly or partly above water; and this section shall apply to the widening of an inland waterway in the interests of navigation as it applies to dredging.

(11) No allowance shall be made by virtue of this section in respect of any expenditure if for the same or any other chargeable period an allowance is or can be made in respect of it under any of the provisions of Chapter I or II of this Part of this Act.

CHAPTER V

AGRICULTURAL LAND AND BUILDINGS

Allowances
for capital
expenditure on
construction
of buildings
and other
works.

68.—(1) Subject to the provisions of this section, where the owner or tenant of any agricultural or forestry land incurs any capital expenditure on the construction of farmhouses, farm or forestry buildings, cottages, fences or other works, writing-down allowances shall be made to him in respect of the expenditure during a writing-down period of ten years beginning with the chargeable period related to the incurring of that expenditure.

(2) Any allowance under this section shall be made by way of discharge or repayment of tax and shall be available primarily against agricultural income and forestry income.

(3) No expenditure shall be taken into account for the purposes of this section unless it is incurred for the purposes of husbandry or forestry on the agricultural or forestry land in question, and—

(a) where the expenditure is on a farmhouse, one-third only of the expenditure shall be taken into account, or, if the accommodation and amenities of the farmhouse are out of due relation to the nature and extent of the farm, such proportion thereof not greater than one-third as may be just,

(b) where expenditure is incurred on any asset other than a farmhouse, being an asset which is to serve partly the purposes of husbandry or forestry and partly other purposes, such apportionment of the expenditure shall be made for the purposes of this subsection as may be just.

(4) Where a person would, if he continued to be the owner or, as the case may be, the tenant of any land, be entitled under

this section to an allowance in respect of any expenditure, and the whole of his interest in the land in question, or in any part of the land in question, is transferred, whether by operation of law or otherwise, to some other person, then, for the part of the writing-down period falling after the date of the transfer, the person to whom the interest is transferred shall, to the exclusion of the person from whom it is transferred, be entitled to the allowances (any allowance to either of them for a chargeable period falling partly before and partly within that part of the writing-down period being reduced accordingly):

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Provided that, where the interest transferred is in part only of the land, this subsection shall apply to so much of the allowance as is properly referable to that part of the land as if it were a separate allowance.

(5) For the purposes of the last preceding subsection, where an interest in land is a tenancy and that tenancy comes to an end, that interest shall be deemed to have been transferred—

- (a) if an incoming tenant makes any payment to the outgoing tenant in respect of assets representing the expenditure in question, to the incoming tenant, and
- (b) in any other case, to the owner of the interest in immediate reversion on the tenancy.

(6) For the purposes of this section as it applies for income tax purposes, the basis period for a year of assessment is the year ending with 31st March next preceding that year of assessment, or with such other date as may be agreed by the owner or tenant in question and the inspector, and section 72 of this Act shall not apply for the purposes of this section.

69. In section 68 above—

“agricultural land” means land, houses or other buildings in the United Kingdom occupied wholly or mainly for the purpose of husbandry;

Interpretation
of preceding
section.

“agricultural income” means income chargeable under Case VIII of Schedule D in respect of agricultural land, and income chargeable under Schedule D in respect of farming or market gardening in the United Kingdom;

“forestry land” means woodlands in the United Kingdom in respect of which an election is in force for assessment and charge to tax under Schedule D by virtue of section 125 of the Income Tax Act 1952, and any houses or other buildings in the United Kingdom which are occupied together with, and wholly or mainly for the purposes of, such woodlands;

1952 c. 10.

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CHAPTER V

“forestry income” means income chargeable under Case VIII of Schedule D in respect of forestry land, and income chargeable under Schedule D in respect of the occupation of woodlands in the United Kingdom.

CHAPTER VI

MISCELLANEOUS AND GENERAL

Income tax

Income tax allowances and charges in taxing a trade, etc.

70.—(1) This and the next following section have effect as respects allowances and charges which fall to be made under the provisions of this Part of this Act as they apply for the purposes of income tax.

(2) Allowances which fall to be made to a person in taxing his trade shall be made as a deduction in charging the profits or gains of the trade to income tax.

(3) Any claim by a person for an allowance falling to be made to him in taxing his trade shall be made in his returns of income for income tax purposes, and, in the case of an allowance under section 60 of this Act, the claim shall be in such form and accompanied by such plans and other particulars as the Board may direct.

(4) Where full effect cannot be given in any year to any allowance falling to be made in taxing a trade owing to there being no profits or gains of the trade chargeable for that year, or owing to the profits or gains chargeable being less than the allowance, the allowance or part of the allowance to which effect has not been given, as the case may be, shall, for the purpose of making the assessment to income tax for the following year, be added to the amount of such allowances as aforesaid for that year, and be deemed to be part of those allowances, or, if there are no such allowances for that year, be deemed to be the allowances for that year, and so on for succeeding years.

1954 c. 44.

(5) Without prejudice to the provisions of section 98(2) of this Act, subsection (4) above has effect subject to section 20 of the Finance Act 1954 (right to set capital allowances against general income).

(6) Any charge falling to be made on a person for any year of assessment in taxing his trade shall be made by means of an assessment to income tax on the profits or gains of that trade for that year of assessment in addition to any other assessment falling to be made thereon for that year.

(7) This section shall apply in relation to professions, employments, vocations and offices, and the occupation of woodlands the profits or gains whereof are assessable under Schedule D,

as it applies in relation to trades, and nothing in this section applies to any deduction allowable under any provision of this Part of this Act in computing the profits or gains of a trade.

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CHAPTER VI

71.—(1) Where an allowance falls to be made to a person for any year of assessment which is to be given by way of discharge or repayment of tax, and is to be available primarily against a specified class of income—

Other
income tax
allowances.

- (a) the amount of the allowance shall be deducted from or set off against income of his of that class for that year of assessment, and
- (b) if the amount to be allowed is greater than the amount of his income of that class for that year of assessment, the balance shall be deducted from or set off against his income of that class for the next year of assessment, and so on for subsequent years of assessment, and tax shall be discharged or repaid accordingly:

Provided that where the amount of the allowance is greater than the amount of the person's income of that class for the first-mentioned year of assessment, he may elect that the excess shall be deducted from or set off against his other income for that year of assessment, and it shall be deducted from or set off against that income and tax discharged or repaid accordingly, and only the excess, if any, of the amount of the allowance over all his income for that year of assessment shall be deducted from or set off against his income of the specified class for succeeding years.

An election under this proviso as respects an allowance for any year of assessment shall be made by giving notice in writing to the inspector not later than two years after the end of that year of assessment.

(2) An election under the proviso to subsection (1) above may be made for any year of assessment with respect to an allowance for the last preceding year of assessment, so far as not previously allowed, as if the allowance were or formed part of the allowance for the year for which the election is made; and in applying that subsection as extended by this provision to any allowances, relief shall be deemed to be given in respect of an allowance carried forward from an earlier year before it is given in respect of an allowance arising in a later year.

(3) Relief under this section shall be given on a claim made to the inspector under section 9 of the Income Tax Management Act 1964:

1964 c. 37.

Provided that an appeal under that section on the claim shall lie to the General Commissioners unless the appellant elects (in accordance with section 12(2) of the said Act of 1964) that it

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shall lie instead to the Special Commissioners so, however, that if an appeal to either body of Commissioners is pending against an assessment on the appellant which relates to the same source of income as that to which the claim relates, the appeal on the claim shall lie to that body of Commissioners.

Meaning of
"basis
period".

72.—(1) Except as otherwise expressly provided, in this Part of this Act as it applies for income tax purposes "basis period" has the meaning assigned to it by the following provisions of this section.

1952 c. 10.

(2) In the case of a person to or on whom an allowance or charge falls to be made in taxing his trade, his basis period for any year of assessment is the period on the profits or gains of which income tax for that year falls to be finally computed under Case I of Schedule D in respect of the trade in question or, where, by virtue of any provision of section 127 of the Income Tax Act 1952, the profits or gains of any other period are to be taken to be the profits or gains of the said period, that other period:

Provided that, in the case of any trade—

- (a) where two basis periods overlap, the period common to both shall be deemed for the purpose of this subsection to fall in the first basis period only,
- (b) where there is an interval between the end of the basis period for one year of assessment and the basis period for the next year of assessment, then, unless the second-mentioned year of assessment is the year of the permanent discontinuance of the trade, the interval shall be deemed to be part of the second basis period, and
- (c) where there is an interval between the end of the basis period for the year of assessment preceding that in which the trade is permanently discontinued and the basis period for the year in which it is permanently discontinued, the interval shall be deemed to form part of the first basis period.

(3) Where an allowance falls to be made under Chapter II of this Part of this Act to a person carrying on a profession or vocation, subsection (2) of this section shall apply as if the references to a trade included references to a profession or vocation and as if the reference to Case I of Schedule D included a reference to Case II of Schedule D.

(4) In the case of any other person to or on whom an allowance or charge falls to be made under this Part of this Act, his basis period for any year of assessment is the year of assessment itself.

(5) Any reference in this section to the overlapping of two periods shall be construed as including a reference to the

coincidence of two periods or to the inclusion of one period in another, and references to the period common to both of two periods shall be construed accordingly.

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CHAPTER VI

Corporation tax

73.—(1) In computing for the purposes of corporation tax a company's profits for any accounting period there shall be made all such deductions and additions as are required to give effect to the provisions of this Part of this Act which relate to allowances and charges in respect of capital expenditure; and subsection (2) of this section and the next following section have effect as respects allowances and charges which fall to be made under the provisions of this Part of this Act as they apply for the purposes of corporation tax.

Corporation
tax allowances
and charges in
taxing a trade.

(2) Allowances and charges which fall to be made for any accounting period in taxing a trade under the provisions of this Part of this Act as they apply for the purposes of corporation tax shall be given effect by treating the amount of any allowance as a trading expense of the trade in that period, and by treating the amount on which any such charge is to be made as a trading receipt of the trade in that period.

74.—(1) Where an allowance falls to be made to a company for any accounting period which is to be given by discharge or repayment of tax, and is to be available primarily against a specified class of income, it shall, as far as may be, be given effect by deducting the amount of the allowance from any income of the period, being income of the specified class.

Other
corporation
tax allowances.

(2) Where such an allowance which is to be made for any accounting period cannot be given full effect under subsection (1) above in that period by reason of a want or deficiency of income of the relevant class, then (so long as the company remains within the charge to tax) the amount unallowed shall be carried forward to the succeeding accounting period, except in so far as effect is given to it under subsection (3) below; and the amount so carried forward shall be treated for the purposes of subsection (1) of this section, and of any further application of this subsection, as the amount of a corresponding allowance for that period.

(3) Where such an allowance which is to be made for any accounting period (otherwise than by being carried forward from an earlier accounting period) cannot be given full effect under subsection (1) above in that period by reason of a want or deficiency of income of the relevant class, the company may claim that effect shall be given to the allowance against the profits (of whatever description) of that accounting period and, if the company was then within the charge to tax, of preceding

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1965 c. 25. (4) The time referred to in subsection (3) above is a time equal in length to the accounting period for which the allowance falls to be made; but the amount or aggregate amount of the reduction which may be made under that subsection in the profits of an accounting period falling partly before that time shall not, with the amount of any reduction falling to be made therein under any corresponding provision of Part IV of the Finance Act 1965 relating to losses, exceed a part of those profits proportionate to the part of the period falling within that time.

(5) A claim under subsection (3) above shall be made within two years from the end of the accounting period first mentioned in that subsection.

General

Writing-down allowances under sections 61, 67 and 68. 75.—(1) This section has effect where it is provided under section 61, 67 or 68 of this Act that writing-down allowances shall be made in respect of any expenditure during a writing-down period of a specified length.

(2) There shall for any chargeable period wholly or partly comprised in the writing-down period be made an allowance equal to the appropriate fraction of the expenditure; and, subject to any provision to the contrary, the appropriate fraction is such fraction of the writing-down period as falls within the chargeable period:

Provided that the aggregate amount of the allowances made whether to the same or to different persons, together with the amount of any initial allowance, shall not exceed the amount of the expenditure.

(3) Where under paragraph 27(2) of Schedule 14 to the Finance Act 1965 allowances were made for accounting periods of a company falling wholly or partly within the year 1964-65 or 1965-66 in addition to allowances (for income tax purposes) made for either of those years, then in reckoning the period for which allowances are to be made, the periods for which allowances were so made shall be added together, notwithstanding that the same time is (according to the calendar) counted twice.

Companies not resident in United Kingdom.

76. Where a company not resident in the United Kingdom is within the charge to corporation tax in respect of one source of income and to income tax in respect of another source, then,

in applying the provisions of this Part of this Act, allowances related to any source of income shall be given effect against income chargeable to the same tax as is chargeable on income from that source.

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77.—(1) Any reference in this Part of this Act to the sale of any property includes a reference to the sale of that property together with any other property and, where property is sold together with other property, so much of the net proceeds of the sale of the whole property as, on a just apportionment, is properly attributable to the first-mentioned property shall, for the purposes of this Part of this Act, be deemed to be the net proceeds of the sale of the first-mentioned property, and references to expenditure incurred on the provision or the purchase of property shall be construed accordingly.

Apportionment of consideration, and exchanges and surrenders of leasehold interests.

For the purposes of this subsection, all the property which is sold in pursuance of one bargain shall be deemed to be sold together, notwithstanding that separate prices are or purport to be agreed for separate items of that property or that there are or purport to be separate sales of separate items of that property.

(2) The provisions of subsection (1) of this section shall, with the necessary adaptations, apply in relation to other sale, insurance, salvage or compensation moneys as they apply in relation to the net proceeds of sales.

(3) This Part of this Act shall have effect as if any reference therein (including any reference in the preceding provisions of this section) to the sale of any property included a reference to the exchange of any property and, in the case of a leasehold interest, also included a reference to the surrender thereof for valuable consideration, and any provisions of this Part of this Act referring to sales shall have effect accordingly with the necessary adaptations and, in particular, with the adaptations that references to the net proceeds of sale and to the price shall be taken to include references to the consideration for the exchange or surrender and references to capital sums included in the price shall be taken to include references to so much of the consideration as would have been a capital sum if it had taken the form of a money payment.

(4) The reference in subsection (1) above to expenditure incurred on the provision or the purchase of property shall—

- (a) in relation to section 53 of this Act, be deemed to include a reference to expenditure on the acquisition of, or of rights in or over, mineral deposits,
- (b) in relation to section 54 of this Act, be deemed to include a reference to expenditure on the acquisition of land,
- (c) in relation to section 60 of this Act, be deemed to include a reference to expenditure on the acquisition of a mineral asset.

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CHAPTER VI
Special provisions as to certain sales.

78.—(1) The provisions of Schedule 7 to this Act shall have effect in relation to sales of any property where either—

- (a) the buyer is a body of persons over whom the seller has control, or the seller is a body of persons over whom the buyer has control, or both the seller and the buyer are bodies of persons and some other person has control over both of them, or
- (b) it appears with respect to the sale, or with respect to transactions of which the sale is one, that the sole or main benefit which, apart from the provisions of the said Schedule, might have been expected to accrue to the parties or any of them was the obtaining of an allowance or deduction under this Part or Part II of this Act.

(2) References in this section to a body of persons include references to a partnership.

(3) This section and the said Schedule shall not apply in relation to section 60 of this Act.

Successions to trades, etc.

79.—(1) Where a person succeeds to any trade, profession or vocation which until that time was carried on by another person and, by virtue—

1953 c. 34.

- (a) of section 19 of the Finance Act 1953 (changes in ownership of trade etc.), or

1965 c. 25.

- (b) of any provision of Part IV of the Finance Act 1965 other than paragraph 7 of Schedule 16 (overseas trade corporations),

the trade, profession or vocation is to be treated as discontinued, any property which, immediately before the succession takes place, was in use for the purposes of the discontinued trade, profession or vocation and, without being sold, is, immediately after the succession takes place, in use for the purposes of the new trade, profession or vocation, shall, for the purposes of this Part of this Act, be treated as if it had been sold to the successor when the succession takes place, and as if the net proceeds of the sale had been the price which that property would have fetched if sold in the open market:

Provided that no initial allowance shall be made by virtue of the provisions of this subsection.

(2) Where, after the setting up and before the permanent discontinuance of a trade, profession or vocation which at any time is carried on in partnership, anything is done for the purposes thereof, any allowance or charge which, if the trade, profession or vocation had at all times been carried on by one and the same person, would have fallen to be made to or on

him under any of the provisions of this Part of this Act shall be made to or on the person or persons from time to time carrying on that trade, profession or vocation, and the amount of any such allowance or charge shall be computed as if that person or those persons had at all times been carrying on the trade, profession or vocation and as if everything done to or by his or their predecessors in the carrying on thereof had been done to or by him or them.

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CHAPTER VI

(3) This section shall, with the necessary adaptations, apply in relation to the occupation of woodlands the profits or gains of which are assessable under Schedule D as it applies in relation to a trade.

(4) Subsection (1) above shall not apply as respects a succession before the appointed day, and in that subsection the reference to section 19 of the Finance Act 1953 includes a reference to section 145 of the Income Tax Act 1952.

1953 c. 34.
1952 c. 10.

In this subsection "the appointed day" means 6th April 1946, but subject to section 16(2) and section 65(1) of this Act.

(5) This section shall not apply to allowances and charges under Chapter II of this Part of this Act.

80.—(1) Subsections (2) and (3) below shall have effect where under— Nationalisation schemes.

(a) the Transport Act 1947, the Electricity Act 1947 or the Gas Act 1948, or any order or scheme made or issued under any of those Acts, or

1947 c. 49.
1947 c. 54.
1948 c. 67.

(b) subject to subsection (5) below, any other statutory provision for giving effect to any scheme for the carrying on of any industry or part of an industry, or of any undertaking, under national ownership or control,

property is transferred to a Commission, Authority, Board, body or person, and the liability of the transferor arising from any balancing charge falling to be made on the occasion of the transfer becomes a liability of the transferee.

In paragraph (b) above "statutory provision" means a provision contained in, or in any order or scheme made or issued under, any Act.

(2) The transfer shall be treated for tax purposes as a sale of property to which section 78(1)(a) of this Act applies and as if the parties to the sale had given notice of election under paragraph 4 of Schedule 7 to this Act.

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CHAPTER VI

(3) Where the trade of the transferor is permanently discontinued at the date of the transfer and either—

(a) in the chargeable period in or at the end of which the transfer takes place a deduction could have been allowed in taxing the trade under section 70 or section 73 of this Act, but for an insufficiency of profits or gains against which to allow the deduction, or

(b) in that and previous chargeable periods taken together, relief or greater relief could have been given by way of set-off under section 342 of the Income Tax Act 1952 or section 58(1) of the Finance Act 1965, or under either of those provisions as extended by any of the other provisions of the Income Tax Acts or the Corporation Tax Acts, but for the allowance in those chargeable periods of any such deductions as are mentioned in paragraph (a) above,

1952 c. 10.
1965 c. 25.

the deduction, so far as it could have been but was not allowed, or, as the case may be, the additional amount which could have been deducted and set off but for the deductions aforesaid, shall in taxing the trade of the transferee for the chargeable period in or at the beginning of which the transfer takes place and all subsequent chargeable periods, be added to and deemed to form part of the deduction falling to be allowed under section 70 or 73 of this Act in taxing the trade for the chargeable period in or at the beginning of which the transfer takes place.

(4) In the preceding provisions of this section any reference to the transferee shall, in the case of a transfer to an Area Board as defined in the Electricity Act 1947 or to the Central Electricity Generating Board, be construed as a reference to the Electricity Council.

1947 c. 49.

(5) In subsection (1)(b) above “statutory provision” shall not include the Transport Act 1962, and Schedule 8 to this Act (which contains transitory provisions as respects capital allowances) shall have effect as respects the National Coal Board and the Boards established by the Transport Act 1962.

1962 c. 46.

Procedure on
apportion-
ments, etc.

81.—(1) Where, under or by virtue of any provisions of this Part of this Act, any sum falls to be apportioned and, at the time of the apportionment, it appears that it is material as respects the liability to tax (for whatever period) of two or more persons, any question which arises as to the manner in which the sum is to be apportioned shall be determined, for the purposes of the tax of all those persons—

(a) in a case where the same body of General Commissioners have jurisdiction with respect to all those

persons, by those Commissioners, unless all those persons agree that it shall be determined by the Special Commissioners,

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CHAPTER VI

(b) in a case where different bodies of Commissioners have jurisdiction with respect to those persons, by such of those bodies as the Board may direct, unless all those persons agree that it shall be determined by the Special Commissioners, and

(c) in any other case, by the Special Commissioners,

and any such Commissioners shall determine the question in like manner as if it were an appeal against an assessment under Schedule D:

Provided that all the said persons shall be entitled to appear and be heard by the Commissioners who are to make the determination or to make representations to them in writing.

(2) This section applies in relation to any determination, under section 48 or section 79 of, or Schedule 7 to, this Act, of the price which property would have fetched if sold in the open market as it applies in relation to apportionments.

(3) This section shall come into force for all purposes on 6th April 1968, to the exclusion of section 329 of the Income Tax Act 1952 c. 10. Act 1952 (which is re-enacted in this section).

82.—(1) References in this Part of this Act to capital expenditure and capital sums—

Interpretation
of certain
references to
expenditure,
etc.

(a) in relation to the person incurring the expenditure or paying the sums, do not include any expenditure or sum which is allowed to be deducted in computing, for the purposes of tax, the profits or gains of a trade, profession, office, employment or vocation carried on or held by him, and

(b) in relation to the person receiving the amounts expended or the sums in question, do not include references to any amounts or sums which fall to be taken into account as receipts in computing the profits or gains of any trade, profession, office, employment or vocation carried on or held by him,

and do not include, in relation to any such person as aforesaid, any expenditure or sum in the case of which a deduction of tax falls or may fall to be made under Chapter I of Part VII of the Income Tax Act 1952 (interest and other annual payments).

(2) Without prejudice to the provisions of section 98(2) of this Act, Chapter II of this Part of this Act has effect subject to section 15(1)(c) of the Finance Act 1965 (under which the use 1965 c. 25.

PART I of an asset for providing business entertainment is not to be
CHAPTER VI treated as use for the purposes of a trade).

(3) Except as otherwise expressly provided, any reference in this Part of this Act to the date on which expenditure is incurred shall be construed as a reference to the date when the sums in question become payable.

Investment
grants:
exclusion
of initial
allowances.

83.—(1) No initial allowance under section 1, section 18 or section 56 of this Act shall be made in respect of so much of any expenditure as is taken into account for the purposes of any investment grant made towards that expenditure, or be made by virtue of section 85 of this Act in respect of a proportionate part of any contribution towards that expenditure.

(2) If any such grant is made after the making of any such allowance, that allowance shall to that extent be withdrawn; and where the amount of any investment grant towards any expenditure is repaid in whole or in part by the grantee to the grantor, then to the extent to which it has been so repaid it shall be deemed never to have been made.

(3) All such assessments or adjustments of assessments to income tax or corporation tax shall be made as may be necessary in consequence of the last preceding subsection and, notwithstanding anything in any other provision, the time within which such an assessment or adjustment may be made shall not expire before the expiration of three years from the end of the chargeable period in which the investment grant, or, as the case may be, the repayment referred to in that subsection, was made.

(4) In this section “investment grant” means a grant towards capital expenditure incurred by a person carrying on a business, being—

1966 c. 34.
1967 c. 22.

(a) a grant made under the Industrial Development Act 1966 or the Agriculture Act 1967 or in pursuance of a scheme under an enactment amended by either of those Acts, or

(b) a grant made under an enactment of the Parliament of Northern Ireland or out of moneys provided by that Parliament which appears to the Treasury to be made towards expenditure and for a purpose corresponding respectively to expenditure towards which and a purpose for which a grant such as is mentioned in paragraph (a) above may be made,

and being (whether under paragraph (a) or (b) above) a grant declared by the Treasury by order made by statutory instrument to be relevant for the purposes of the withholding or withdrawal of investment and initial allowances.

(5) So much of subsection (4) above as authorises the Treasury to make orders shall come into force for all purposes on 6th April 1968 to the exclusion of so much of section 35(3) of the Finance Act 1966 as authorises the Treasury to make orders, and accordingly—

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1966 c. 18.

- (a) any order made by the Treasury before that date under the said section 35(3) shall be treated from that date as if it were an order under subsection (4) above, and
- (b) the reference in the said section 35(3) (as it applies in relation to chargeable periods ending before 6th April 1968) to an order made by the Treasury under that subsection shall include a reference to an order made by the Treasury under subsection (4) above.

84.—(1) Expenditure shall not be regarded for any of the purposes of this Part of this Act as having been incurred by any person in so far as it has been or is to be met directly or indirectly by the Crown or by any government or public or local authority, whether in the United Kingdom or elsewhere, or by any person other than the first-mentioned person.

Subsidies, etc

(2) In considering, for the purposes of this section, how far any expenditure has been or is to be met directly or indirectly by the Crown or by any authority or person other than the person incurring the expenditure, there shall be left out of account—

- (a) any insurance moneys or other compensation moneys payable in respect of any asset which has been demolished, destroyed or put out of use, and
 - (b) any expenditure met or to be met by any person other than the Crown or a government or public or local authority, being expenditure in respect of which, apart from the provisions of this paragraph, no allowance could be made under the provisions of the next following section.
- (3) This section shall not apply—
- (a) in considering whether any, and if so what, writing-down allowance or balancing charge is to be made to or on a person under Chapter II in respect of any machinery or plant provided before the appointed day (as defined in Chapter II),
 - (b) in considering what deduction may be made under section 40(2) of this Act in respect of expenditure on the replacement of machinery or plant provided before that day,
 - (c) for the purposes of Chapter IV.

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CHAPTER VI
Allowances
in respect of
contributions
to capital
expenditure.

85.—(1) Where a person, for the purposes of a trade carried on or to be carried on by him or by a tenant of land in which he has an interest, contributes a capital sum to expenditure on the provision of an asset, being expenditure which, apart from the provisions of the last preceding section, would have been regarded as wholly incurred by another person and in respect of which, apart from the last preceding section—

- (a) an allowance would have been made under Chapter I, or
- (b) an initial allowance or a writing-down allowance would have been made under Chapter II, or
- (c) an allowance would have been made under any provision of Chapter III, other than section 60, or
- (d) an allowance would have been made under Chapter V,

then, subject to the provisions of Schedule 9 to this Act and to the following provisions of this section, such initial and writing-down allowances, if any, shall be made to the contributor as would have been made to him if his contribution had been expenditure on the provision, for the purposes of that trade, of a similar asset.

(2) For the purpose of initial allowances given by virtue of subsection (1) above, section 18(1)(b) of this Act shall, subject to the provisions of Schedule 3 to this Act, apply as if the relevant asset belonged to the person making the contribution at any time when the machinery or plant belongs, or is treated under section 18(7) of this Act as belonging, to the person for the time being carrying on the trade for the purposes of which the machinery or plant is provided.

(3) 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, this section shall apply as if such allowances fell to be made to the sewerage authority in respect of the expenditure as, apart from the last preceding 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.

In this subsection—

“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,

and this subsection shall apply only where the contribution was made, and the expenditure in question was incurred, after 31st May 1963.

(4) In subsection (1) of this section, and in Schedule 9 to this Act, "trade" includes the occupation of woodlands in the United Kingdom in respect of which the assessment and charge to tax falls to be made under Schedule D by virtue of section 125 of the Income Tax Act 1952.

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CHAPTER VI

1952 c. 10.

(5) This section shall not apply to any contribution made before the appointed day.

In this subsection "the appointed day" means 6th April 1946, but subject to section 16(2) and section 65(1) of this Act.

86.—(1) Subject to subsection (2) below, in this Part of this Act, except where the context otherwise requires, "sale, insurance, salvage or compensation moneys" means, in relation to an event which gives rise or might give rise to a balancing allowance or a balancing charge to or on any person, or is material in determining whether any, and if so what, writing-down allowance is to be made to a person under Chapter III of this Part of this Act—

Meaning
of "sale,
insurance,
salvage or
compensation
moneys".

- (a) where the event is a sale of any property, the net proceeds to that person of the sale;
- (b) where the event is the coming to an end of an interest in property on or by reason of the coming to an end of a foreign concession, any compensation payable to that person in respect of that property;
- (c) where the event is the demolition or destruction of any property, the net amount received by him for the remains of the property, together with any insurance moneys received by him in respect of the demolition or destruction and any other compensation of any description received by him in respect thereof, in so far as that compensation consists of capital sums;
- (d) as respects machinery or plant, where the event is the permanent loss thereof otherwise than in consequence of its demolition or destruction, any insurance moneys received by him in respect of the loss and any other compensation of any description received by him in respect thereof, in so far as that compensation consists of capital sums;
- (e) where the event is that a building or structure ceases altogether to be used, any compensation of any description received by him in respect of that event, in so far as that compensation consists of capital sums.

(2) So far as this section has effect for purposes other than those of Chapter II of this Part of this Act, subsection (1) above shall have effect as if—

- (a) paragraph (d) were omitted, and

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(b) paragraph (e) applied where machinery or plant is put out of use as it applies where a building or structure ceases altogether to be used.

Other provisions as to interpretation of Part I. **87.**—(1) In this Part of this Act, except where the context otherwise requires—

“the Board” means the Commissioners of Inland Revenue ;

“chargeable period” means an accounting period of a company or a year of assessment ; and

(a) a reference to a “chargeable period or its basis period” is a reference to the chargeable period if it is an accounting period and to the basis period for it if it is a year of assessment,

(b) a reference to a “chargeable period related to” the incurring of expenditure, or a sale or other event, is a reference to the chargeable period in which, or to that in the basis period for which, the expenditure is incurred or the sale or other event takes place, and means the latter if, but only if, the chargeable period is a year of assessment ;

1965 c. 25.

“company” has the same meaning as in Part IV of the Finance Act 1965 ;

“control”, in relation to a body corporate, means the power of a person to secure, by means of the holding of shares or the possession of voting power in or in relation to that or any other body corporate, or by virtue of any powers conferred by the articles of association or other document regulating that or any other body corporate, that the affairs of the first-mentioned body corporate are conducted in accordance with the wishes of that person, and, in relation to a partnership, means the right to a share of more than one-half of the assets, or of more than one-half of the income, of the partnership ;

“foreign concession” means a right or privilege granted by the government of, or any municipality or other authority in, any territory outside the United Kingdom ;

“income” includes any amount on which a charge to tax is authorised to be made under any of the provisions of this Part of this Act ;

“lease” includes an agreement for a lease where the term to be covered by the lease has begun, and any tenancy, but does not include a mortgage, and “lessee”, “lessor” and “leasehold interest” shall be construed accordingly ;

“ mineral deposits ” includes any natural deposits capable of being lifted or extracted from the earth ;

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CHAPTER VI

“ scientific research allowance ” means an allowance made under Part II of this Act, other than an allowance under section 90 ;

“ tax ”, where neither corporation tax nor income tax is specified, means either of those taxes ;

“ writing-down allowance ”, where the reference is partly to years of assessment before the year 1966-67, includes an annual allowance in the sense which in the context that phrase had immediately before the commencement of the Finance Act 1965,

1965 c. 25.

and for the purposes of this Part of this Act a source of income is “ within the charge to ” corporation tax or income tax if that tax is chargeable on the income arising from it, or would be so chargeable if there were any such income, and references to a person, or to income, being within the charge to tax shall be similarly construed.

(2) In this Part of this Act a reference to allowances or charges being made in taxing a trade is a reference to their being made in computing the trading income for corporation tax or in charging the profits or gains of the trade to income tax.

(3) Any reference in this Part of this Act to an allowance made or deduction allowed includes a reference to an allowance or deduction which would be made or allowed but for an insufficiency of profits or gains, or other income, against which to make it:

Provided that this subsection shall not apply to the references in section 40(2) of this Act to writing-down allowances, exceptional depreciation allowances and scientific research allowances.

(4) Any reference in this Part of this Act to any building, structure, machinery, plant, works, asset, farmhouse, farm or forestry building, cottage or fence shall be construed as including a reference to a part of any building, structure, machinery, plant, works, asset, farmhouse, farm or forestry building, cottage or fence:

Provided that where the reference is expressed to be to the whole of a building or structure, this subsection shall not apply.

(5) The provisions of Chapter II of this Part of this Act, and the provisions of this Chapter so far as it applies for the purposes of the said Chapter II, shall apply in relation to a share in machinery or plant as they apply in relation to a part of machinery or plant, and for the purposes of the said provisions a share in machinery or plant shall be deemed to be used for the purposes of a trade, profession or vocation so

PART I long as, and only so long as, the machinery or plant is used
CHAPTER VI for the purposes thereof.

This subsection shall, with any necessary adaptations, apply in relation to the occupation of woodlands where the profits or gains thereof are assessable under Schedule D as they apply in relation to trades.

(6) Any reference in this Part of this Act to the time of any sale shall be construed as a reference to the time of completion or the time when possession is given, whichever is the earlier.

(7) Any reference in this Part of this Act to the setting up or permanent discontinuance of a trade includes, except where the contrary is expressly provided, a reference to the occurring of any event which, under any of the provisions of the Income Tax Acts or the Corporation Tax Acts, is to be treated as equivalent to the setting up or permanent discontinuance of a trade:

1965 c. 25. Provided that the reference above to the Corporation Tax Acts shall not include a reference to paragraph 7 of Schedule 16 to the Finance Act 1965 (overseas trade corporations).

1957 c. 49. (8) In the application of this Part of this Act in relation to assets which have been used for the purposes of a trade carried on by a company which, at any time when the assets were so used, was for the purposes of Part IV of the Finance Act 1957 an Overseas Trade Corporation, there shall be deducted from expenditure to which this Part of this Act applies all such amounts as would have been deducted if, throughout the period when the company was an Overseas Trade Corporation, the said Part IV had not had effect and allowances and balancing charges had been made accordingly:

Provided that, where there was an interval between the end of the last basis period related to a year of assessment falling before the date when the company ceased to be an Overseas Trade Corporation and that date, the interval shall be deemed for the purposes of this subsection to have been part of that basis period.

(9) In connection with the transition for companies from income tax to corporation tax effected by the Finance Act 1965 the provisions of this Act and any other provision of the Income Tax Acts relevant thereto shall have effect with such modifications as are necessary to preserve the continuity of the system of allowances and charges under this Part of this Act, and so that in particular references to a previous chargeable period or to a subsequent chargeable period, or to a time before, or a time after, a chargeable period, shall have effect in relation to a company as if the year 1965-66 or any earlier

year of assessment preceded that company's first accounting period for corporation tax.

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CHAPTER VI

This subsection shall not be taken to require any time to be counted twice in reckoning duration.

88. In the application of this Part of this Act to Scotland, "leasehold interest" means the interest of a tenant in property subject to a lease; and any reference to an interest which is reversionary on a leasehold interest or on a lease shall be construed as a reference to the interest of the landlord in the property subject to the leasehold interest or lease.

Application of Part I to Scotland.

89.—(1) In this Part of this Act, "exceptional depreciation allowance" means an allowance made under section 19 of the Finance Act 1941 and "mills, factories or exceptional depreciation allowances" means any allowance made under section 15 of the Finance Act 1937 or any exceptional depreciation allowances.

Transitory provisions: mills, factories and exceptional depreciation allowances. 1941 c. 30. 1937 c. 54.

(2) Any reference in this Part of this Act to the relevant exceptional depreciation allowances shall be construed, in relation to any building, machinery or plant, as a reference to an exceptional depreciation allowance in respect of that building, machinery or plant, or to so much of any exceptional depreciation allowance granted in respect of any building, machinery or plant of which it forms part as is properly attributable to it.

(3) Any reference in this Part of this Act to the relevant mills, factories or exceptional depreciation allowances shall be construed, in relation to any building or structure, as a reference to any allowances granted under section 15 of the Finance Act 1937 in respect of it or premises of which it forms part, and any relevant exceptional depreciation allowances:

Provided that where an allowance under the said section 15 was in respect of premises which include several buildings or structures, the whole amount of the allowance under the said section 15 shall be apportioned between all the buildings or structures, and only that part of the allowance which is apportioned to the building or structure in question shall be taken into account.

(4) Any reference in this Part of this Act to the allowance made under the said section 15 for any year of assessment shall be construed as a reference to an amount which, under the said section 15, was to be allowed as a deduction in computing profits or gains for that year of assessment.

PART II

SCIENTIFIC RESEARCH

Allowances for expenditure on scientific research not of a capital nature, and on payments to research associations, universities, etc.
1952 c. 10.

90. Notwithstanding anything in section 137 of the Income Tax Act 1952 (general rules as to deductions not allowable in computing the profits or gains of a trade), where a person carrying on a trade—

- (a) incurs expenditure not of a capital nature on scientific research related to that trade and directly undertaken by him or on his behalf, or
- (b) pays any sum to any scientific research association for the time being approved for the purposes of this section by the Secretary of State or the Minister of Technology, being an association which has as its object the undertaking of scientific research related to the class of trade to which the trade he is carrying on belongs, or
- (c) pays any sum to be used for such scientific research as is mentioned in paragraph (b) above to any such university, college research institute or other similar institution as is for the time being approved for the purposes of this section by the Secretary of State or the Minister of Technology,

the expenditure incurred or sum paid, as the case may be, may be deducted as an expense in computing the profits or gains of the trade for the purposes of tax.

Allowances for capital expenditure on scientific research.

91.—(1) Subject to the provisions of this and the next following section, where a person—

- (a) while carrying on a trade, incurs expenditure of a capital nature on scientific research related to that trade and directly undertaken by him or on his behalf, or
- (b) incurs expenditure of a capital nature on scientific research directly undertaken by him or on his behalf, and thereafter sets up and commences a trade connected with that research,

a deduction equal to the whole of the expenditure shall be allowed in taxing the trade for the relevant chargeable period as defined in the following provisions of this section.

(2) For corporation tax purposes the relevant chargeable period shall be the accounting period in which the expenditure was incurred or, if it was incurred before the setting up and commencement of the trade, the accounting period beginning with that setting up and commencement.

(3) For income tax purposes the relevant chargeable period shall be— PART II

- (a) in the case of expenditure incurred before the end of the year of assessment in which the trade was set up and commenced, that year of assessment,
- (b) in the case of expenditure incurred after the end of that year of assessment but not later than twelve months from the setting up and commencement of the trade, the year of assessment next following that in which the trade was set up and commenced,
- (c) in the case of expenditure incurred after twelve months from the setting up and commencement of the trade and during the basis year for any year of assessment, but subject to subsection (4) below, that year of assessment,
- (d) in the case of expenditure incurred during the year of assessment in which the trade is permanently discontinued, that year of assessment.

In paragraph (c) above “basis year” means, in relation to a year of assessment, the period the profits or gains of which are, under section 127 of the Income Tax Act 1952, to be taken to be the profits or gains of the year preceding that year of assessment. 1952 c. 10.

(4) For the purposes of the said paragraph (c)—

- (a) where two basis years overlap, any expenditure incurred in the period common to both shall be deemed to have been incurred in the first basis year only,
- (b) where there is an interval between the end of the basis year for one year of assessment and the beginning of the basis year for the next year of assessment, any expenditure incurred during the interval shall be deemed to have been incurred in the second basis year, and
- (c) any expenditure which is incurred before the end of, but after the end of the basis year for, the last complete year of assessment before the permanent discontinuance of the trade shall be deemed to have been incurred in that basis year,

and, in paragraph (a) of this subsection, the reference to the overlapping of two basis years includes a reference to the coincidence of two basis years, or to the inclusion of one basis year in another, and the reference to the period common to both of two basis years shall be construed accordingly.

PART II

(5) This section shall not apply to expenditure incurred before 6th November 1962, but deductions in respect of such expenditure shall be allowed instead in accordance with the transitory provisions contained in Schedule 10 to this Act.

Termination of user of assets provided for scientific research.

92.—(1) Subject to subsection (6) below, the two next following subsections shall have effect 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.

(2) If the sale occurs in or after the chargeable period for which an allowance in respect of the expenditure is made under the last preceding section, then, subject to subsection (5) below—

(a) the sum by which the aggregate of the proceeds of sale and the amount of the allowance exceeds the amount of the expenditure, or

(b) the amount of the allowance if it is less than that sum, 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.

(3) If the sale occurs before the chargeable period for which an allowance in respect of the expenditure would fall to be so made, that allowance shall not be made, but, subject to subsection (5) below, if the proceeds of sale are less than the expenditure a deduction equal to the difference, shall be allowed in taxing the trade for the chargeable period in which the sale occurs.

(4) Where an asset is destroyed, it shall for the purposes of this section be treated as if it had been sold immediately before its destruction, and any insurance moneys or other compensation of any description received by the person carrying on the trade in respect of the destruction, and any moneys received by him for the remains of the asset, shall be treated as if they were proceeds of that sale; and, where this subsection has effect on the demolition of an asset—

(a) the cost of the demolition to the person carrying on the trade shall, for the purposes of subsections (2) and (3) above, be added to the expenditure represented by the asset, and

(b) if the case falls within the first of those subsections but, by reason of that addition, the aggregate there referred

to is less than the amount of the expenditure represented by the asset, then, unless the asset was used for other purposes after it ceased to be used for scientific research related to the trade, and subject to subsection (5) below, a deduction equal to the difference shall be allowed in taxing the trade for the chargeable period in which the asset is treated as having been sold or, if it is treated as having been sold on or after the date on which the trade is permanently discontinued, for the last chargeable period in which the trade was carried on before the discontinuance.

PART II

(5) No amount shall be allowed or charged by virtue of this section in respect of any sale if the sale gives rise to a balancing allowance or balancing charge under Chapter I or Chapter II of Part I of this Act.

(6) This section shall not apply as respects assets representing expenditure incurred before 6th November 1962, but the transitory provisions contained in Schedule 10 to this Act shall have effect instead.

93.—(1) No initial allowances under Chapter I or Chapter II of Part I of this Act shall be made in respect of expenditure on the provision of an asset if that expenditure is expenditure in respect of which a deduction may be allowed under section 91 above or the corresponding provisions of Schedule 10 to this Act. Prevention of double allowances.

(2) Where a deduction is allowed for any chargeable period under section 91 or 92 above, or the corresponding provisions of Schedule 10 to this Act, in respect of expenditure represented wholly or partly by any assets, there shall not be made or allowed—

- (a) any writing-down allowance under Chapter I of Part I of this Act, or
- (b) except under this Part of this Act, any allowance or deduction in respect of wear and tear, obsolescence or depreciation of those assets,

for any chargeable period during any part of which they are used by the person carrying on a trade for scientific research related to that trade.

(3) The cost to a person of the demolition of any property shall not, if section 92(4)(a) above or paragraph 2(4) of Schedule 10 to this Act applies to it, be treated for the purposes of this Act as expenditure incurred in respect of any other property by which that property is replaced.

PART II
Interpretation
of Part II.

94.—(1) In this Part of this Act—

“ scientific research ” means any activities in the fields of natural or applied science for the extension of knowledge ;

“ scientific research expenditure ” means expenditure incurred on scientific research ;

references to expenditure incurred on scientific research do not include any expenditure incurred in the acquisition of rights in, or arising out of, scientific research, but, subject to that, include all expenditure incurred for the prosecution of, or the provision of facilities for the prosecution of, scientific research ;

references to scientific research related to a trade or a class of trades include—

(a) any scientific research which may lead to or facilitate an extension of that trade or, as the case may be, of trades of that class ;

(b) any scientific research of a medical nature which has a special relation to the welfare of workers employed in that trade or, as the case may be, trades of that class ;

“ asset ” includes part of an asset.

(2) In this Part of this Act, unless the context otherwise requires—

“ the Board ” means the Commissioners of Inland Revenue ;

“ chargeable period ” means an accounting period of a company or a year of assessment ;

1965 c. 25.

“ company ” has the same meaning as in Part IV of the Finance Act 1965 ;

“ tax ”, where neither corporation tax nor income tax is specified, means either of those taxes ;

“ writing-down allowance ”, where the reference is partly to years of assessment before the year 1966-67, includes an annual allowance in the sense which in the context that phrase had immediately before the commencement of the Finance Act 1965.

(3) In this Part of this Act a reference to allowances being made in taxing a trade is a reference to their being made in computing the trading income for corporation tax or in charging the profits or gains of the trade to income tax.

(4) References in this Part of this Act to the setting up and commencement of a trade and to the permanent discontinuance of a trade include references to the occurring of any event which, under any of the provisions of the Income Tax Acts or the Corporation Tax Acts, is to be treated as equivalent to the

setting up and commencement of a trade or, as the case may be, to the permanent discontinuance thereof: PART II

Provided that the reference above to the Corporation Tax Acts shall not include a reference to paragraph 7 of Schedule 16 to the Finance Act 1965 (overseas trade corporations). 1965 c. 25.

(5) Any reference in this Part of this Act to the time of any sale shall be construed as a reference to the time of completion or the time when possession is given, whichever is the earlier.

95.—(1) Deductions allowable in taxing a trade under the provisions of this Part of this Act as they apply for the purposes of income tax shall be given effect in accordance with subsections (2) and (4) of section 70 of this Act, and deductions so allowable under those provisions as they apply for the purposes of corporation tax shall be given effect in accordance with section 73 of this Act. Supplemental.

(2) Section 77 of this Act shall have effect in relation to section 92 above and the corresponding provisions of Schedule 10 to this Act as if that section and those provisions were contained in Part I of this Act.

(3) Sections 91 and 92 above, and the corresponding provision of Schedule 10 to this Act, shall have effect subject to the provisions of section 78 of, and Schedule 7 to, this Act.

(4) In section 80 of this Act references to sections 70, 73 and 78 of this Act, and to Schedule 7 to this Act, are references to those provisions as extended by this section, and this Part of this Act has effect subject to Schedule 8 to this Act.

(5) Subsections (8) and (9) of section 87 of this Act shall apply for the purposes of this Part of this Act as they apply for the purposes of Part I of this Act, but as if, in the proviso to the said subsection (8), references to a basis period were references to a basis year.

(6) For the purposes of this Part of this Act, expenditure shall not be regarded as incurred by a person in so far as it is, or is to be, met directly or indirectly by the Crown or by any government or public or local authority, whether in the United Kingdom or elsewhere, or by any person other than the first-mentioned person.

(7) The same expenditure shall not be taken into account for any of the purposes of this Part of this Act in relation to more than one trade.

(8) If any question arises under this Part of this Act as to whether, and if so to what extent, any activities constitute or constituted, or any asset is or was being used for, scientific

PART II research, the Board shall refer the question for decision to the Secretary of State or the Minister of Technology, as may be appropriate in relation to the activities in question, and his decision shall be final.

PART III

GENERAL

Commence-
ment and
repeals.

96.—(1) Except as otherwise provided by Part I of this Act, Parts I and II of this Act shall come into force and have effect as respects allowances and charges falling to be made for chargeable periods ending after 5th April 1968.

(2) The provisions of this Act applied by subsection (1) above include those under which effect may be given to allowances falling to be made for a chargeable period by setting any part of them against the profits or gains of some other chargeable period, and subsection (1) above shall apply to allowances falling to be made for the chargeable periods there mentioned notwithstanding that, under any such provision of this Act, or under any other provision of the Income Tax Acts or the Corporation Tax Acts, effect is to be given to those allowances by setting any part of them off against the profits or gains of a chargeable period ending before 6th April 1968.

(3) The enactments mentioned in Schedule 11 to this Act shall be repealed to the extent specified in the third column of that Schedule, and the provisions of this Act brought into force by subsection (1) above shall have effect to the exclusion of the corresponding provisions so repealed, and those repeals shall take effect accordingly.

(4) The said repeals shall not affect any enactment so far as it authorises effect to be given to an allowance falling to be made for a chargeable period ending before 6th April 1968 by setting any part of it against profits or gains of a chargeable period ending after 5th April 1968, and subsection (1) above shall not be read as referring to any such allowance.

Continuity.

97.—(1) The continuity of the operation of the Income Tax Acts and the Corporation Tax Acts shall not be affected by the substitution of this Act for the repealed enactments.

(2) Any reference, whether express or implied, in this Act to, or to things done or falling to be done under or for the purposes of, any provision of this Act shall, if and so far as the nature of the reference permits, be construed as including, in relation to the times, years or periods, circumstances or purposes in relation to which the corresponding provision in

the repealed enactments has or had effect, a reference to, or as the case may be to things done or falling to be done under or for the purposes of, that corresponding provision.

PART III

(3) The repeals made by this Part of this Act shall not affect any instrument made or other thing done under the repealed enactments and, so far as any such instrument or other thing could have affected the allowances, deductions and charges as respects which this Act has effect if this Act had not passed, this Act shall have effect as if the instrument or other thing had been made or done under the corresponding provisions of this Act.

(4) Subsection (3) above applies in particular to any election, to any appointment, to any claim for an allowance, and to any proceedings on any such claim.

(5) Without prejudice to the said subsection (3), the repeals made by this Part of this Act in Schedule 2 to the Science and Technology Act 1965 shall not affect that Schedule so far as it provides for approvals given under section 335(b) or (c) of the Income Tax Act 1952 before its coming into force as respects that section to be treated as given by the Secretary of State or the Minister of Technology. 1965 c. 4. 1952 c. 10.

(6) In this and the next following section "the repealed enactments" means the enactments repealed by Schedule 11 to this Act, and such of the enactments repealed by the Income Tax Act 1952 as correspond to the provisions of that Act so repealed.

98.—(1) Any reference, whether express or implied, in any enactment, instrument or document passed or made before or in the same Session as this Act to, or to things done or falling to be done under or for the purposes of, any of the repealed enactments shall, if and so far as the nature of the reference permits, be construed as including, in relation to the times, years or periods, circumstances or purposes in relation to which the corresponding provision of this Act has effect, a reference to, or as the case may be to things done or deemed to be done or falling to be done under or for the purposes of, that corresponding provision. Construction of existing Acts and documents.

(2) For the avoidance of doubt it is hereby declared that Parts I and II of this Act have effect subject to those provisions of the Income Tax Acts and the Corporation Tax Acts which are not repealed by this Act, and, with a view to preserving the existing effect of such of those enactments as are mentioned in Schedule 12 to this Act, they shall be amended in accordance with that Schedule.

(3) The provisions of this Part of this Act are without prejudice to the provisions of the Interpretation Act 1889 as respects the effect of repeals. 1889 c. 63.

D

PART III
Construction
of future
enactments.

99.—(1) Except as otherwise expressly provided or where the context otherwise requires, section 97 of this Act shall apply for the purpose of construing any provision contained in an Act passed after this Act, or in an instrument made after the passing of this Act under any Act, past or future, which refers to a provision of this Act, as it applies for the purposes of construing this Act.

(2) This subsection has effect in applying for corporation tax any Act passed after this Act.

For the purposes of corporation tax, the right to an allowance or liability to a charge under this Act for an accounting period, and the rate or amount of any such allowance or charge, shall be determined by applying the law in force for the year of assessment in which the accounting period ends.

Short title
and
construction.

100.—(1) This Act may be cited as the Capital Allowances Act 1968.

1965 c. 25.

(2) Except in so far as this Act otherwise provides, its provisions shall apply equally for purposes of income tax and for purposes of corporation tax; and section 63(5) of the Finance Act 1965 (which relates to the construction of income tax provisions applying both to income tax and corporation tax) shall apply to this Act as it applies to any such provisions of the Income Tax Acts.

(3) This Act, so far as it relates to income tax, shall be construed as one with the Income Tax Acts and, so far as it relates to corporation tax, shall be construed as one with the Corporation Tax Acts.

(4) Any reference in this Act to any other enactment shall, except so far as the context otherwise requires, be construed as a reference to that enactment as amended or applied by or under any other enactment including this Act.

SCHEDULES

SCHEDULE 1

INITIAL ALLOWANCES: TRANSITORY

Sections 1(2),
18(2), 56(2) and
67(1).

1.—(1) This paragraph has effect as regards the relationship between initial allowances and investment allowances (that is the investment allowances under the provisions repealed by section 35 of the Finance Act 1966 except as regards expenditure incurred before 17th January 1966 and certain expenditure under contracts before that date). 1966 c. 18.

(2) If any such investment allowance falls to be made in respect of any expenditure, this Act shall apply to that expenditure with the following modifications—

- (a) in section 1(2), for the words “three-twentieths” there shall be substituted the words “one-twentieth”,
- (b) in section 18(2), for the words “three-tenths” there shall be substituted the words “one-tenth”,
- (c) in section 56(2), for the words “two-fifths” there shall be substituted the words “one-fifth”,
- (d) in section 67(1)(a), for the words “three-twentieths” there shall be substituted the words “one-twentieth”.

(3) Where an investment allowance in respect of any expenditure is withheld or withdrawn under paragraph 1 of Schedule 2 to the Finance Act 1954 then— 1954 c. 44.

- (a) if it is withheld or withdrawn by reason of a sale or transfer such initial allowance (if any) as might have been made in addition to the investment allowance if it had not been withheld or withdrawn shall be made, or
- (b) if it is withheld or withdrawn otherwise than by reason of a sale or transfer such initial allowance (if any) as might have been made in respect of the said expenditure but for sub-paragraph (2) above shall be made.

(4) In the case of an initial allowance under section 67(1)(a) of this Act, sub-paragraph (3) above shall not apply, but if an investment allowance in respect of any expenditure is withheld or withdrawn otherwise than by reason of a sale of the trade deemed for the purposes of the said section 67 to constitute the permanent discontinuance thereof such initial allowance as might have been made in respect of the said expenditure but for sub-paragraph (2) above shall be made.

(5) Subject to sub-paragraphs (3) and (4) above, where an investment allowance falls to be made in addition to an initial allowance, no greater initial allowance shall be made by reason that the investment allowance is for any reason not made.

Machinery and plant

2.—(1) Where an investment allowance is made or falls to be made in respect of expenditure on machinery or plant, and the machinery

SCH. 1 or plant is sold by the person incurring the expenditure or an associate of his, then if either—

(a) the buyer is an associate of the person incurring the expenditure, or

(b) it appears with respect to the sale either—

(i) that it is one in contemplation of which the expenditure was incurred, or

(ii) that the sole or main benefit which, apart from this paragraph, might have been expected to accrue to the parties or any of them would have been or have derived from the allowances (whether investment allowances or initial allowances) obtained or to be obtained in respect of the machinery or plant sold or any machinery or plant by which it is or is to be replaced ;

1954 c. 44. the amount of the initial allowance (if any) to which the buyer is entitled shall be reduced by two-thirds, unless the investment allowance is withheld or withdrawn under paragraph 1 of Schedule 2 to the Finance Act 1954 or the initial allowance is reduced in accordance with the provisions of Schedule 7 to this Act.

(2) For the purposes of this paragraph machinery or plant shall be deemed to be sold, or as the case may be bought, by an associate of the person incurring the expenditure—

(a) if it is sold, or as the case may be bought, by a body of persons which is at the time of the sale under the control of the person incurring the expenditure, or

(b) if the expenditure was incurred by a body of persons which either is at the time of the sale or was when the expenditure was incurred under the control of the seller, or as the case may be the buyer, or

(c) if the expenditure was incurred by one body of persons and the machinery or plant is sold, or as the case may be bought, by another, and the seller, or as the case may be the buyer, is at the time of the sale under the control of the same person as the body incurring the expenditure either is at that time or was when the expenditure was incurred,

or if it is sold by a person to whom the machinery or plant was transferred by the person incurring the expenditure or an associate of his and it appears that the transfer was made in contemplation of the sale.

In this sub-paragraph “ body of persons ” includes a partnership.

Ships

3.—(1) Where an investment allowance falls to be made in respect of any expenditure incurred on the provision of a ship, no initial allowance shall be made in respect of that expenditure, and paragraph 1 above shall not apply.

(2) Where an investment allowance in respect of any expenditure incurred on the provision of a ship is withheld or withdrawn under paragraph 1 of Schedule 2 to the Finance Act 1954 otherwise than

by reason of a sale or transfer, such initial allowance (if any) as might have been made in respect of that expenditure but for sub-paragraph (1) above shall be made.

SCH. 1

(3) In the case of expenditure incurred on the provision of a ship paragraph 2(1) above shall apply as if for the words following sub-paragraphs (a) and (b) in the said paragraph 2(1) there were substituted the words—

“ the buyer shall not be entitled to an initial allowance, unless the investment allowance is withheld or withdrawn under paragraph 1 of Schedule 2 to the Finance Act 1954 ”.

(4) Subject to sub-paragraph (2) above, where an investment allowance falls to be made in respect of expenditure incurred on the provision of a ship, no initial allowance shall be made in respect of that expenditure notwithstanding that the investment allowance is for any reason not made.

Supplemental

4.—(1) All such assessments and adjustments of assessments shall be made as may be necessary for or in consequence of the substitution for an investment allowance of an initial allowance under the preceding provisions of this Schedule, and may be so made at any time.

(2) In the case of the death of a person who, if he had not died, would, under the preceding provisions of this Schedule, have become chargeable to income tax for any year, the tax which would have been so chargeable shall be assessed and charged upon his executors or administrators and shall be a debt due from and payable out of his estate.

Expenditure incurred before 8th April 1959

5.—(1) This paragraph has effect as respects expenditure incurred before 8th April 1959 (that is to say expenditure incurred before the coming into force of the rates of allowance prescribed by section 21 of the Finance Act 1959 and in respect of which an initial allowance would only fall to be made under this Act where section 1(4) proviso applies or where, under section 1(6), section 18(4) or section 64, expenditure incurred before 8th April 1959 is to be treated as having been incurred at a later time). 1959 c. 58.

(2) In the case of such expenditure the rate of any initial allowance under this Act shall be such as would have applied if this Act had not passed, and neither the rates substituted by paragraph 1(2) above nor the rates for which they are substituted shall apply.

SCHEDULE 2

MOTOR CARS

Preliminary

Sections 18(3),
19(3) and 32(3).

1.—(1) Except as otherwise provided in paragraphs 9 and 10 below, the descriptions of vehicles to which this Schedule applies are those to which section 32 of this Act applies.

(2) Paragraphs 2 to 7 of this Schedule have effect as respects initial allowances, writing-down allowances and balancing allowances in

SCH. 2 respect of expenditure incurred on the provision of a vehicle to which this Schedule applies, not being—

- (a) expenditure incurred before 17th April 1961, nor
- (b) expenditure incurred under a contract entered into before that day where either the expenditure was incurred within twelve months after that day or the contract was one of hire-purchase or for purchase by instalments,

and references in paragraphs 8 and 9 of this Schedule to expenditure incurred on the provision or hiring of a vehicle do not include references to expenditure within paragraph (a) or paragraph (b) above.

Initial allowances : transitory provisions

2. Where an initial allowance is not precluded by section 18(3) of this Act, the amount to be allowed by way of initial allowance for any one vehicle shall not exceed £600 (whether the allowance falls to be made by reference to lump sum expenditure or by reference to the amounts of instalments), and the references in paragraph 3(2) of Schedule 7 to this Act to the appropriate fraction of the limit of recharge on the seller shall have effect accordingly as references to the limit of recharge reduced by £600.

Writing-down allowances : previous user which has not attracted allowances

3.—(1) Section 30 of this Act 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 chargeable periods (whether or not the trade was then being carried on) there shall be deemed to have been made to him for that chargeable period the maximum allowances permitted by subsections (1) and (2) of section 32 of this Act”.

(2) The reference in sub-paragraph (1) above to the maximum allowances permitted by subsections (1) and (2) of section 32 of this Act includes (where the initial allowance would not have been precluded by section 18(3) of this Act) a reference to the maximum allowances permitted by paragraph 2 above.

Restriction of balancing allowances

4. Where apart from this paragraph a balancing allowance would fall to be made in respect of any vehicle, and the event giving rise to the allowance takes place within a chargeable period or its basis period, being a chargeable period as respects which subsections (1) and (2) of section 32 of this Act, or paragraph 3 above, would operate to reduce the amount of any writing-down allowance falling to be made in respect of the vehicle, or would so operate but for any provision of the Income Tax Acts or the Corporation Tax Acts (other than this paragraph) reducing writing-down 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 writing-down allowances in respect of the vehicle is less

than an amount at a rate of £500 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.

Reduction of allowances for part-time use, etc.

5. It is hereby declared that the provisions of the Income Tax Acts and the Corporation Tax Acts (other than this paragraph) which in special circumstances reduce initial or writing-down allowances, and balancing allowances, apply to allowances after modification by subsections (1) and (2) of section 32 of this Act and the preceding provisions of this Schedule; and, in particular, where, in a case falling within section 37 or the proviso to section 38 of this Act, it is just and reasonable that paragraph 4 above should apply with the substitution for the reference to £500 of a reference to a smaller amount, that paragraph shall so apply, without prejudice to the determination in accordance with the said section 37 or the said proviso whether any balancing allowance falls to be made, or would fall to be made apart from paragraph 4 above.

Subsidies and contributions to expenditure

6. Where under section 84 of this Act any part of the expenditure incurred on the provision of a vehicle is to be treated as not having been incurred by a person, or under section 85 of this Act a person's contribution to such expenditure is to be treated as expenditure on the provision of a similar vehicle, subsections (1) and (2) of section 32 of this Act and the preceding provisions of this Schedule shall have the like effect as if for the references to £500 (read with section 19(3) of this Act) and to £600 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 on the provision of the vehicle.

Option in case of replacement of machinery or plant

7. Section 40(1) of this Act 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 writing-down allowances.

Limit on renewals allowances

- 8.—(1) In determining what amount (if any) is allowable—
- (a) to be deducted in computing profits or gains chargeable to tax under Schedule D, or
 - (b) to be deducted from emoluments chargeable to tax under Schedule E, or

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1960 c. 44.

(c) to be taken into account for the purposes of any allowances falling to be made by virtue of section 72(2) of the Finance Act 1960,

in respect of capital expenditure, being expenditure exceeding £2,000 incurred on the provision of a vehicle, the excess over £2,000 shall be disregarded for all purposes; but if on the replacement of the vehicle any amount becomes allowable as aforesaid in respect of capital expenditure on any other vehicle, any deduction falling to be made, in determining the last-mentioned amount, for the value or proceeds of sale of the replaced vehicle or otherwise in respect thereof shall be reduced in the proportion which £2,000 bears to the cost of the replaced vehicle.

(2) Where a vehicle to which this Schedule applies is replaced by another such vehicle, and sub-paragraph (1) above has effect, the capital expenditure on the provision of the replacement vehicle shall be taken for the purposes of Chapter II of Part I of this Act (including this Schedule) to be the amount of the deduction (if any) falling to be made, in determining what amount is allowable as mentioned in sub-paragraph (1) above, by reason of the cost of the replacement vehicle exceeding the cost of the replaced vehicle.

(3) In sub-paragraph (1) above "capital expenditure" shall be construed without regard to section 82(1) of this Act.

Limit on deductions, etc. for hiring cars

9.—(1) Where apart from this paragraph the amount of any expenditure on the hiring (otherwise than by way of hire-purchase) of a vehicle to which this paragraph applies would be allowed to be deducted or taken into account as mentioned in paragraph 8(1) above, and the retail price of the vehicle at the time when it was made exceeded £2,000, the said amount shall be reduced in the proportion which £2,000, together with one half of the excess, bears to the said price.

(2) Where a person, having on or after 4th April 1963 hired (otherwise than by way of hire-purchase) a vehicle to which this paragraph applies, subsequently becomes the owner thereof, and the retail price of the vehicle at the time it was made exceeded £2,000, then for the purposes of the Income Tax Acts and the Corporation Tax Acts (and in particular section 32 of this Act and this Schedule)—

(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 on 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.

(3) The descriptions of vehicles to which this paragraph applies are those to which section 32 of this Act applies, and those to which it would apply but for subsection (6) of that section.

Apportionment of hire-purchase payments

SCH. 2

10.—(1) Where the person providing a vehicle takes it under a hire-purchase contract, and the retail price at the time of the contract exceeds £2,000, then in apportioning the payments under the contract between capital expenditure incurred on the provision of the vehicle and other expenditure so much of those payments shall be treated as such capital expenditure as is equal to the price which would be chargeable, at the time the contract is entered into, to the person providing the vehicle if he were acquiring it on a sale outright.

(2) This paragraph applies to all mechanically propelled road vehicles constructed or adapted for the carriage of passengers, other than vehicles of a type not commonly used as a private vehicle and unsuitable to be so used.

Supplemental

11.—(1) There shall be made all such assessments and adjustments of assessments as may be necessary for the purpose of giving effect to section 32(6) of this Act, and to paragraph 9(2) above, and any such assessments or adjustments of assessments may be made at any time.

(2) In the case of the death of a person who, if he had not died, would, under the said provisions, have become chargeable to tax for any year, the tax which would have been so chargeable shall be assessed and charged upon his executors or administrators and shall be a debt due from and payable out of his estate.

(3) Any claim for an allowance by virtue of paragraph 9(2) above may be made in connection with the making or adjusting of assessments under this paragraph, and whether so made or not may notwithstanding anything in section 70 of this Act be made at any time not later than two years after the claimant became the owner of the vehicle.

SCHEDULE 3

Sections 18(7)
and 85(2).

MACHINERY AND PLANT: HIRE-PURCHASE, ETC.

1.—(1) Where a person, having incurred capital expenditure on the provision of machinery or plant under a contract providing that he shall or may become the owner of the machinery or plant on the performance of the contract—

(a) without becoming the owner of it ceases to be entitled to the benefit of the contract, so far as it relates to the machinery or plant, and

(b) receives or is entitled to any capital sum by way of consideration, compensation, damages or insurance moneys in respect of his rights under the contract or of the machinery or plant,

then (subject to paragraph 2 of this Schedule) that expenditure shall be left out of account for the purposes of Chapter II of Part I of this Act.

(2) Where—

(a) a person who has incurred capital expenditure as aforesaid dies or otherwise ceases to be entitled to the benefit of the

SCH. 3

contract, so far as it relates to the machinery or plant, without either becoming the owner of the machinery or plant or receiving or being entitled to any such capital sum as aforesaid, and

(b) another person, having become entitled to the benefit of that expenditure—

(i) ceases to be entitled to it without becoming the owner of the machinery or plant, and

(ii) receives or is entitled to any capital sum by way of consideration, compensation, damages or insurance moneys in respect of that benefit or of the machinery or plant,

the preceding sub-paragraph shall apply as if the person incurring the expenditure had received such a capital sum as is mentioned in paragraph (b) of that sub-paragraph.

2. Paragraph 1 above shall not affect any allowance given by virtue of section 85 of this Act in respect of a person's contribution to another person's expenditure; but an initial allowance shall not be given by virtue of that section in respect of a person's contribution or, if previously given, shall be withdrawn where, without the machinery or plant belonging to the person making the contribution or to the person for the time being carrying on the trade for the purposes of which it is provided, the relevant asset ceases to be treated under section 85(2) of this Act as belonging to the person making the contribution, and he receives any capital sum by way of consideration, compensation, damages or insurance moneys in respect of his contribution or of the machinery or plant.

3.—(1) Where a person has incurred capital expenditure on the provision of machinery or plant for the purposes of his trade (without the machinery or plant belonging to him), and he or the person for the time being entitled to the benefit of that expenditure enters into any arrangement which, with or without any associated transactions, has the effect (or would if tax were chargeable in respect of any profits or gains of the trade have the effect) both—

(a) that, under paragraph 1 of this Schedule, that expenditure falls to be left out of account for the purposes of the said Chapter II, and

(b) that another person ("the successor") incurs capital expenditure on the provision of machinery or plant for the purposes of his trade in securing for himself the benefit of that expenditure incurred by the first-mentioned person,

then that expenditure incurred by the successor, in so far as it exceeds that expenditure incurred by the first-mentioned person, shall also be left out of account for the purposes of the said Chapter II, if in addition—

(i) of the successor and the person last previously entitled to the benefit aforesaid, either is a body of persons over whom the other has control or both are bodies of persons and some other person has control over both, or

- (ii) it appears with respect to the arrangement, or with respect to transactions of which the arrangement is one, that the sole or main benefit which, apart from the provisions of this paragraph, might have been expected to accrue to the parties or any of them was the obtaining of an allowance under the said Chapter II. SCH. 3

(2) In this paragraph "body of persons" includes a partnership.

4.—(1) There shall be made all such assessments and adjustments of assessments as may be necessary for or in consequence of the withdrawal of any allowance given in respect of expenditure falling to be left out of account under this Schedule, or as may otherwise be necessary for the purpose of giving effect to this Schedule, and any such assessments or adjustments of assessments may be made at any time.

(2) In the case of the death of a person who, if he had not died, would, under the provisions of this Schedule, have become chargeable to tax for any year, the tax which would have been so chargeable shall be assessed and charged upon his executors or administrators and shall be a debt due from and payable out of his estate.

SCHEDULE 4

Section 20(6).

MACHINERY AND PLANT: EXISTING WRITING-DOWN PERCENTAGES

Application of existing determinations to 1968-69 and later years

1.—(1) The provisions of this paragraph are without prejudice to section 20(6) of this Act as read with Part III of this Act, and shall have effect, as respects machinery or plant to which paragraphs 2 and 3 below apply, subject to the provisions of those paragraphs.

(2) Except so far as it is superseded by any subsequent determination under section 20(3) or section 21(3) of this Act, any determination under section 35(3) of the Finance Act 1963 (or under that subsection as applied by subsection (6) of the same section) made for or applied to the year 1967-68 shall apply also to subsequent years as if made under section 20(3) or section 21(3) of this Act as the case may be. 1963 c. 25.

(3) Except so far as it is superseded by any subsequent determination under section 20(4) or section 21(4) of this Act, any determination made or deemed to be made under section 281 or section 282 of the Income Tax Act 1952, being a determination made for or applied to the year 1967-68, shall apply also to subsequent years as if it were the determination of a basic percentage under the said section 20(4) or the said section 21(4) as the case may be. 1952 c. 10.

(4) References in section 20 of this Act to a class of machinery or plant include references to any machinery or plant which was the subject of a determination applied for the year 1967-68 by virtue

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1952 c. 10.

of section 281(5) of the Income Tax Act 1952 (percentages in use in 1948-49 for machinery or plant not within a class for which a determination was made).

New machinery and plant provided after 5th November 1962

2.—(1) This and the next following paragraph apply to new machinery or plant capital expenditure on the provision of which was incurred after 5th November 1962 (within the meaning of that expression as defined in section 19(4) of this Act).

(2) Where a writing-down allowance under section 20 of this Act in respect of machinery or plant to which this paragraph applies falls to be computed by reference to a percentage established before the year 1963-64, the amount of the allowance resulting under sub-paragraph (4) below from the application of that percentage—

- (a) where it is less than 15 per cent. of the relevant capital amount, shall be increased so as to equal 15 per cent. of that amount,
- (b) where it is between 15 and 20 per cent. of the relevant capital amount, shall be increased so as to equal 20 per cent. of that amount,
- (c) where it is less than 25 but not less than 20 per cent. of the relevant capital amount, shall be increased so as to equal 25 per cent. of that amount.

(3) Where a writing-down allowance under section 21 of this Act in respect of machinery or plant to which this paragraph applies falls to be computed by reference to a percentage established before the year 1963-64, the amount of the allowance resulting under sub-paragraph (4) below from the application of that percentage—

- (a) where it is less than $6\frac{1}{4}$ per cent. of the relevant capital amount, shall be increased so as to equal $6\frac{1}{4}$ per cent. of that amount,
- (b) where it is between $6\frac{1}{4}$ and $8\frac{1}{2}$ per cent. of the relevant capital amount, shall be increased so as to equal $8\frac{1}{2}$ per cent. of that amount,
- (c) where it is less than $11\frac{1}{4}$ but not less than $8\frac{1}{2}$ per cent. of the relevant capital amount, shall be increased so as to equal $11\frac{1}{4}$ per cent. of that amount.

(4) Paragraph 1(3) above shall apply to a determination carried forward from a year before 1963-64 in respect of a class of machinery or plant notwithstanding that it includes machinery or plant to which this paragraph applies, and in that case the basic percentage established by the determination and the provisions of section 20(4) or, as the case may be, section 21(4) of this Act increasing it by one-quarter shall have effect as respects the said machinery or plant for the purposes of—

- (a) deciding whether or not a writing-down allowance falls to be increased under sub-paragraph (2) or (3) above,

(b) arriving at the amount of a writing-down allowance which does not fall to be so increased, and

SCH. 4

(c) the calculation referred to in sub-paragraph (5) below.

(5) Where paragraph 1(3) above applies in accordance with sub-paragraph (4) of this paragraph to a determination carried forward from a year before 1963-64—

(a) the said paragraph 1(3) shall have effect, as respects machinery or plant to which this paragraph applies, as if for the reference to any subsequent determination under section 20(4) or section 21(4) of this Act there were substituted a reference to any subsequent determination under section 20(3) or section 21(3) of this Act, and

(b) in deciding whether or not, as respects such machinery or plant as aforesaid, a redetermination of the percentage established by the first-mentioned determination is necessary, the amount of the basic percentage as falling to be adjusted, that is to say, as increased by one-quarter under the last preceding sub-paragraph and further increased, where so required, under sub-paragraph (2) or (3) above, shall be treated as if it were a percentage determined in accordance with the said section 20(3) or section 21(3), as the case may be,

so, however, that where the basic percentage, as increased by one-quarter, is greater than the percentage mentioned in sub-paragraph (2)(c) or, as the case may be, sub-paragraph (3)(c) above, paragraph (b) of this sub-paragraph shall apply as if that greater percentage were instead so mentioned.

3.—(1) References in paragraph 2 above to a percentage established before the year 1963-64 shall be construed as references to a percentage established by a determination which before the commencement of this Act was made or deemed to be made under section 281(2), or, as the case may be, section 282(2), of the Income Tax Act 1952 for a year before the year 1963-64. 1952 c. 10.

(2) 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 the said section 281 or 282 were computed by reference to a percentage which, though not determined or deemed to have been determined by the Board under that section, was commonly treated as if it had been so determined, that percentage shall, notwithstanding that a percentage has, after the commencement of the Finance Act 1963, been so determined for the year, be regarded for the purposes of this Schedule as the percentage so determined in respect of machinery or plant of that class for the year 1962-63 or that earlier year, as the case may be. 1963 c. 25.

(3) In paragraph 2 of this Schedule “relevant capital amount” means the amount specified in section 20(1) or, as the case may be, section 21(1) of this Act as the amount by reference to which a writing-down allowance is to be computed.

Sections 52, 53
and 54.

SCHEDULE 5

MINERALS: SPECIAL PROVISIONS FOR CERTAIN EXPENDITURE

Exploration machinery and plant

1.—(1) Where machinery or plant used by any person in searching for, or discovering and testing, the mineral deposits of any source, or winning access thereto, either—

- (a) is not sold, demolished or destroyed before the source is worked in the course of a trade, or
- (b) before being sold, demolished or destroyed as aforesaid, or before being used as aforesaid, is used by him for some other purpose,

then of the capital expenditure incurred by him on the machinery or plant so much only shall be treated for the purposes of Chapter III of Part I of this Act as incurred in connection with that source as in the opinion of the inspector (or, on appeal, of the Commissioners having jurisdiction in the matter) does not exceed the amount of the diminution in the value of the machinery or plant attributable to its use in searching for, discovering and testing and winning access to the deposits of that source, and the remainder shall not be treated as qualifying expenditure by reason of the use of the machinery or plant in connection with that source.

(2) In the case of machinery or plant used in searching for, or discovering and testing, or winning access to, the deposits of more than one source the aggregate amount of the expenditure treated under this paragraph as incurred by any person in connection with those sources shall not exceed the total amount of the expenditure incurred by him on the machinery or plant.

2.—(1) Where a person carrying on a trade which consists of or includes the working of any mine, oil well or other source of mineral deposits of a wasting nature has incurred qualifying expenditure on machinery or plant for the purposes of that trade, then for the purposes of Chapter III of Part I of this Act any sale, insurance, salvage or compensation moneys in respect of the machinery or plant shall—

- (a) if by virtue of the preceding paragraph the qualifying expenditure is not the whole of the capital expenditure incurred by him on the machinery or plant, be disregarded except in so far as they exceed the difference between the said capital expenditure and the qualifying expenditure on the machinery or plant,
- (b) subject to paragraph (a) of this sub-paragraph, if the qualifying expenditure on the machinery or plant was incurred in connection with more than one source, be apportioned between the sources in such manner as appears to the inspector (or, on appeal, to the Commissioners having jurisdiction in the matter) to be appropriate.

(2) The deductions to be made under section 57(6) of this Act in respect of any machinery or plant shall not, in the case of any source, exceed the amount of the qualifying expenditure on the machinery or plant incurred in connection with that source.

(3) In Schedule 7 to this Act references to machinery or plant shall not apply in the case of machinery or plant which for the seller of the machinery or plant is an asset representing qualifying expenditure.

SCH. 5

Overseas mineral rights and land

3.—(1) Where—

- (a) a person incurs expenditure to which section 53(1) of this Act applies on acquiring any deposits or rights, and
- (b) those deposits or rights had previously been acquired by some other person, being, or being a body corporate or partnership under the control of, a person resident in the United Kingdom, and
- (c) the case is not one to which section 58(7) of this Act applies,

then subject to paragraph 5 below, the said expenditure of the first-mentioned person shall be left out of account for the purposes of Chapter III of Part I of this Act so far as it exceeds the capital expenditure incurred by the said other person in acquiring the deposits or rights.

(2) In the cases specified in this sub-paragraph, sub-paragraph (1) above and paragraph 5 below shall have effect subject to the following provisions—

- (a) if there has been more than one acquisition to which sub-paragraph (1)(b) above applies, regard shall be had only to that one of the other persons mentioned in the said sub-paragraph (1)(b) who first acquired the deposits or rights,
- (b) where any such other person as is mentioned in the said sub-paragraph (1)(b) carried on a trade which consisted of or included the buying or selling of, or of rights in or over, mineral deposits, references to capital expenditure shall, in relation to him, be deemed to include expenditure which would have been capital expenditure if his trade had been the working of the deposits or rights in question and had not included such buying and selling as aforesaid,
- (c) in computing the expenditure of any such other person, liabilities undertaken by him which, in connection with the disposal by him of the deposits or rights in question, have been taken over by some other person may, notwithstanding anything in section 82(3) of this Act, be taken into account.

4.—(1) Where—

- (a) a person incurs or has incurred in connection with any source of mineral deposits any such expenditure as is mentioned in section 54(1) of this Act, and
- (b) the land acquired by him had previously been acquired by some other person, being, or being a body corporate or partnership under the control of, a person resident in the United Kingdom, and had been so acquired either for use in connection with the working of that source or for the

SCH. 5 purpose of a trade consisting of or including the buying and selling of land containing mineral deposits, and

(c) the case is not one to which section 58(7) of this Act applies, then subject to paragraph 5 below, that expenditure shall not be treated by virtue of the said section 54 as qualifying expenditure so far as it exceeds the capital expenditure incurred by the said other person in acquiring the land.

(2) In the cases specified in this sub-paragraph, sub-paragraph (1) above and paragraph 5 below shall have effect subject to the following provisions—

- (a) if there has been more than one acquisition to which sub-paragraph (1)(b) above applies, regard shall be had only to the first of those acquisitions,
- (b) where the person making the acquisition to which the said sub-paragraph (1)(b) applies (or, if there has been more than one such acquisition, the one to which regard is to be had) carried on a trade consisting of or including the buying and selling of land containing mineral deposits, references to capital expenditure shall, in relation to him, be taken to include expenditure which would have been capital expenditure if his trade had been the working of the source in question and had not included such buying and selling as aforesaid,
- (c) in computing the expenditure of the person making the said acquisition, liabilities undertaken by him which, in connection with the disposal by him of the land in question, have been taken over by some other person may, notwithstanding anything in section 82(3) of this Act, be taken into account.

5.—(1) Where the source or part of the source in question in paragraph 3 or the source in question in paragraph 4 above has been worked between the dates of the two acquisitions, the capital expenditure of the other person mentioned in paragraph 3(1)(b) or paragraph 4(1)(b), as the case may be, incurred in acquiring the deposits or rights, or, as the case may be, the land, shall be treated for the purposes of paragraphs 3(1) and 4(1) above as reduced as follows.

(2) In a case where the expenditure is incurred on or after the appointed day it shall be reduced by applying the fraction $\frac{A}{A+B}$ where—

“A” is the total potential future output from the source or part, estimated as at the later of those dates, and

“B” is the actual output from the source or part between those dates.

(3) In a case where the expenditure was incurred before the appointed day it shall be reduced by applying the fraction $\frac{A+C}{B+C}$ SCH. 5

where—

“A” is the actual total output from the source or part from the later of those dates to the appointed day,

“B” is the actual total output from the source or part from the earlier of those dates up to the appointed day, and

“C” is the total potential future output from the source or part, estimated as at the appointed day.

SCHEDULE 6

Section 57(5).

MINERALS: EXPENDITURE INCURRED BEFORE APPOINTED DAY

PART I

PRELIMINARY

1. The amount of expenditure which a person who, on the appointed day, was carrying on a trade which consisted of or included the working of a mine, oil well or other source of mineral deposits of a wasting nature is to be treated for certain purposes of Chapter III of Part I of this Act as having incurred on that day shall, except in the cases dealt with in Part III of this Schedule, be the amount specified in Part II thereof.

2. In the following provisions of this Schedule, the said expenditure is referred to as “the appointed day expenditure” and the said person is referred to as “the trader”.

PART II

PROVISIONS APPLICABLE WHERE PART III OF THIS SCHEDULE DOES NOT APPLY

3. Except in cases to which Part III of this Schedule applies, the amount of the appointed day expenditure shall be ascertained by—

- (a) ascertaining the total qualifying expenditure which was incurred by the trader before the appointed day for the purposes of the trade and in connection with the source, and
- (b) subtracting therefrom the amounts specified in paragraph 4 of this Schedule, and
- (c) applying the fraction specified in paragraph 5 of this Schedule to the result.

4. The said amounts are—

- (a) where any asset representing any part of the expenditure incurred by the trader as aforesaid before the appointed day has, before the appointed day, been sold by him, the

SCH. 6

amount of the expenditure so incurred which is attributable to that asset, and

- (b) where the assets representing the expenditure so incurred, not being assets sold by the trader before the appointed day, consist of or include buildings or structures, any relevant mills, factories or exceptional depreciation allowances made in respect of the buildings or structures for any year of assessment before that in which the appointed day fell.

5. The said fraction is $\frac{A}{A+B}$ where—

“A” is the total potential future output from the source, estimated as at the appointed day, and

“B” is the total output from the source before the appointed day.

6.—(1) In relation to expenditure which is qualifying expenditure by virtue of section 52 or section 54 of this Act—

(a) references in this Part of this Schedule to qualifying expenditure shall be taken as referring only to expenditure which is qualifying expenditure by virtue of those sections, and

(b) in applying paragraph 5 above, there shall be left out of account under head B, in the case of expenditure on machinery or plant, any output from the source before the machinery or plant was used in connection with the source and, in the case of expenditure on land, any output from the source before the trader acquired the land.

(2) In relation to expenditure to which section 53(1) of this Act applies—

(a) references in this Part of this Schedule to qualifying expenditure shall be taken as referring only to expenditure which is qualifying expenditure by virtue of the said section 53, and

(b) in applying paragraph 5 above, there shall be left out of account under head B any output before the trader acquired the source.

PART III

ASSETS PURCHASED FROM A PREDECESSOR

7.—(1) Where, at or about the time when the trader began to work the source, he acquired from a predecessor in the working of the source assets representing qualifying expenditure, incurred by that or any other predecessor in the working of the source, the amount of the appointed day expenditure shall be whichever of the amounts respectively specified in the two next following paragraphs is the smaller.

(2) In this paragraph and the following provisions of this Part of this Schedule, “predecessor in the working of the source” means a person who has, before the appointed day, carried on a trade which

consisted of or included the working of the source but has, before that day, ceased to work it.

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(3) In the following provisions of this Part of this Schedule, the assets mentioned in sub-paragraph (1) of this paragraph are referred to as "the acquired assets".

8.—(1) The first of the amounts mentioned in the last preceding paragraph is the amount which results from—

- (a) ascertaining the total qualifying expenditure which was incurred either on the acquired assets by any predecessor in the working of the source for the purposes of his trade and in connection with that source or by the trader for the purposes of his trade and in connection with the source, and
- (b) subtracting therefrom the sums specified in sub-paragraph (2) of this paragraph, and
- (c) applying to the result the fraction specified in sub-paragraph (3) of this paragraph.

(2) The said sums are—

- (a) where any of the acquired assets has, before the appointed day, been sold by the trader, so much of the said expenditure incurred by any predecessor in the working of the source as is attributable to that asset,
- (b) where any asset representing any part of the expenditure incurred by the trader as aforesaid before the appointed day has, before the appointed day, been sold by him, the amount of that expenditure which is attributable to that asset, and
- (c) where any of the acquired assets or any asset representing any such expenditure as aforesaid of the trader consists of buildings or structures (not being buildings or structures sold by the trader before the appointed day) any relevant mills, factories or exceptional depreciation allowances made in respect of the buildings or structures for any year of assessment before that in which the appointed day fell.

(3) The said fraction is $\frac{A}{A+B}$ where—

"A" is the total potential future output from the source, estimated as at the appointed day, and

"B" is the total output from the source before the appointed day.

9.—(1) The second of the said amounts is the amount which results from—

- (a) adding the price paid by the trader for the acquired assets to all the qualifying expenditure which he incurred for the purposes of the trade and in connection with the source between the time when he acquired those assets and the appointed day, and

- SCH. 6
- (b) subtracting from the total the sums specified in sub-paragraph (2) of this paragraph, and
 - (c) applying to the result the fraction specified in sub-paragraph (3) of this paragraph.
- (2) The said sums are—
- (a) where any asset representing the expenditure mentioned in sub-paragraph (1)(a) above has, before the appointed day, been sold by the trader, the amount of that expenditure which is attributable to that asset, and
 - (b) where any of the acquired assets has, before the appointed day, been sold by the trader, the price paid by the trader for the asset, and
 - (c) where the assets representing that expenditure, not being assets sold by the trader before the appointed day, consist of or include buildings or structures, any relevant mills, factories or exceptional depreciation allowances made to him in respect of the buildings or structures for any year of assessment before the year in which the appointed day fell.
- (3) The said fraction is $\frac{A}{A+B}$ where—
- “ A ” is the total potential future output from the source, estimated as at the appointed day, and
 - “ B ” is the total output from the source between the date of the acquisition of the acquired assets and the appointed day.
10. This Part of this Schedule shall not apply in relation to—
- (a) expenditure which is qualifying expenditure by virtue of section 52 or section 54 of this Act, or
 - (b) expenditure to which section 53(1) of this Act applies.

Sections 78,
81(2), 95(3) and
Schedules 1, 2,
5 and 12.

SCHEDULE 7

OPERATION OF PARTS I AND II IN RELATION TO CERTAIN SALES

General

- 1.—(1) This Schedule has effect in relation to the sales specified in section 78 of this Act, that is to say, sales of any property where either—
- (a) the buyer is a body of persons over whom the seller has control, or the seller is a body of persons over whom the buyer has control, or both the seller and the buyer are bodies of persons and some other person has control over both of them, or
 - (b) it appears with respect to the sale, or with respect to transactions of which the sale is one, that the sole or main benefit which, apart from the provisions of this Schedule,

might have been expected to accrue to the parties or any of them was the obtaining of an allowance or deduction under Part I or Part II of this Act.

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References in this sub-paragraph to a body of persons include references to a partnership.

(2) Subject to paragraph 4(3) below, this Schedule shall have effect in relation to a sale notwithstanding that it is not fully applicable by reason of the non-residence of a party to the sale or otherwise:

Provided that this sub-paragraph and the said paragraph 4(3) shall not apply in the case of a sale made before 6th April 1954 where the property was sold at a price other than that which it would have fetched if sold in the open market.

2. Where the property is sold at a price other than that which it would have fetched if sold in the open market, then, subject to the following provisions of this Schedule, the like consequences shall ensue for the purposes of the said Parts I and II, in their application to the tax of all persons concerned, as would have ensued if the property had been sold for the price which it would have fetched if sold in the open market.

Machinery or plant

3.—(1) Subject to the provisions of this paragraph, where the sale is a sale of machinery or plant—

- (a) no initial allowance shall be made to the buyer, and
- (b) subject to the provisions of paragraph 4 of this Schedule, if the price which the property would have fetched if sold in the open market is greater than the limit of recharge on the seller, paragraph 2 of this Schedule shall have effect as if for each of the references to the price which the property would have fetched if sold in the open market there were substituted a reference to the said limit of recharge:

Provided that this sub-paragraph shall not apply in relation to a sale of machinery or plant which has never been used if the business or part of the business of the seller was the manufacture or supply of machinery or plant of that class and the sale was effected in the ordinary course of the seller's business.

(2) Where, in the case of any sale of machinery or plant—

- (a) the sale is one to which sub-paragraph (1)(a) of paragraph 1 of this Schedule applies and sub-paragraph (1)(b) of the said paragraph 1 does not apply, and
- (b) an initial allowance fell to be made to the seller of the machinery or plant in respect of the capital expenditure which he incurred on the provision thereof, and
- (c) a balancing charge is made on the seller by reason of the sale, and

- SCH. 7 (d) the price which the machinery or plant would have fetched if sold in the open market at the time of the sale exceeds the appropriate fraction of the limit of recharge on the seller,
- sub-paragraph (1)(a) of this paragraph shall not apply, but the initial allowance to the buyer shall not exceed whichever of the three following amounts is the least, that is to say—
- (i) the excess of the said price over the appropriate fraction of the said limit of recharge,
 - (ii) the initial allowance which fell to be made to the seller as aforesaid, and
 - (iii) the amount on which a balancing charge is made on the seller as aforesaid.
- (3) In sub-paragraph (2) above the appropriate fraction is—
- (a) seven-tenths where the rate of the seller's initial allowance was three-tenths by virtue of section 18 of this Act or section 15 of the Finance Act 1958 (expenditure incurred on or after 15th April 1958),
 - (b) subject to the provisions of paragraph 1 of Schedule 1 to this Act, nine-tenths where the rate of the seller's initial allowance was one-tenth by virtue of paragraph 1 or paragraph 2 of the said Schedule 1 or section 21 of the Finance Act 1959 (expenditure incurred after 7th April 1959 on assets qualifying for investment allowance),
 - (c) four-fifths where the rate of the seller's initial allowance was one-fifth by virtue of section 16 of the Finance Act 1953 (expenditure incurred on or after 15th April 1953),
 - (d) three-fifths where the rate of the seller's initial allowance was two-fifths by virtue of the proviso to section 279(5) of the Income Tax Act 1952 or the proviso to section 20(1) of the Finance Act 1951 (expenditure on ship under contract entered into at 10th April 1951) or section 20 of the Finance Act 1949 (expenditure incurred on or after 6th April 1949 and before 6th April 1952),
 - (e) four-fifths where the expenditure referred to in sub-paragraph (2)(b) above was incurred before 6th April 1949.
- (4) In this paragraph, "the limit of recharge" means, in relation to a person who sells machinery or plant—
- (a) if he provided that machinery or plant for himself before the appointed day, the actual cost to him of the machinery or plant, including in that actual cost any expenditure in the nature of capital expenditure on machinery or plant by way of renewal, improvement or reinstatement,
 - (b) if he provided the machinery or plant for himself on or after the appointed day, the expenditure incurred by him on the provision thereof.

In this sub-paragraph "the appointed day" means 6th April 1946.

Sales without change of control

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4.—(1) Subject to sub-paragraph (3) below, where the sale is one to which sub-paragraph (1)(a) of paragraph 1 of this Schedule applies and sub-paragraph (1)(b) of that paragraph does not apply, and the parties to the sale by notice in writing to the inspector so elect, the following provisions shall have effect—

- (a) paragraph 2 of this Schedule shall have effect as if for each of the references to the price which the property would have fetched if sold in the open market there were substituted a reference to that price or to the sum hereinafter mentioned, whichever is the lower, and
- (b) paragraph 3(1)(b) above shall not apply, and
- (c) notwithstanding anything in the preceding provisions of this Schedule, such balancing charge, if any, shall be made on the buyer on any event occurring after the date of the sale as would have fallen to be made on the seller if the seller had continued to own the property and had done all such things and been allowed all such allowances or deductions in connection therewith as were done by or allowed to the buyer.

(2) The sum referred to in sub-paragraph (1)(a) of this paragraph is—

- (a) in the case of an industrial building or structure the residue of the expenditure on the construction of that building or structure immediately before the sale, computed in accordance with the provisions of section 4 of this Act,
 - (b) in the case of machinery or plant, the amount of the expenditure on the provision thereof still unallowed immediately before the sale, computed in accordance with the provisions of section 41 of this Act,
 - (c) in the case of assets representing qualifying expenditure as defined in section 51(1) of this Act, the residue of the expenditure attributable to those assets immediately before the sale, computed in accordance with the provisions of Chapter III of Part I of this Act.
- (3) An election may not be made under this paragraph if—
- (a) any of the parties to the sale is not resident in the United Kingdom at the time of sale, and
 - (b) the circumstances are not at that time such that an allowance or charge under Part I or Part II of this Act falls or might fall to be made to or on that party in consequence of the sale.

SCHEDULE 8

Section 80.

ASSETS TRANSFERRED UNDER NATIONALISATION SCHEMES:
TRANSITORY PROVISIONS

PART I

ASSETS TRANSFERRED UNDER THE
COAL INDUSTRY NATIONALISATION ACT 1946*General*

1. In this Part of this Schedule—

“colliery concern” has the meaning assigned to it by section 63 of the Coal Industry Nationalisation Act 1946 ;

1946 c. 59.

- SCH. 8
1946 c. 59.
1930 c. 34.
- “relevant property” means property which, or an interest in which, vested in the National Coal Board by virtue of section 5 or section 6 of the Coal Industry Nationalisation Act 1946, or by virtue of section 44 of, and Schedule 3 to, that Act, being property which, or, as the case may be, an interest in which, was, immediately before the vesting, an asset of a colliery concern, a subsidiary of a colliery concern, a body administering a scheme under Part I of the Coal Mines Act 1930 or the South Yorkshire Mines Drainage Committee: and “relevant building or structure” and “relevant machinery or plant” shall be construed accordingly;
- “subsidiary” has the meaning assigned to it by paragraph 25 of Schedule 1 to the Coal Industry Nationalisation Act 1946;
- “the transferor” means, in relation to any relevant property, the person who immediately before the vesting date owned the property or, as the case may be, the interest in the property which vested;
- “vest” means vest in the National Coal Board under the said section 5, the said section 6, or the said section 44 and the said Schedule 3;
- “the vesting date” means, in relation to any relevant property, the date of the vesting of that property or of any interest therein, as the case may be.

2. Where any relevant property has vested in the National Coal Board, this Part of this Schedule shall have effect in computing the liability to tax of the said Board.

3. In relation to any relevant property, the vesting date or the date on which the property was first used for the purposes of the trade of the National Coal Board, whichever is the earlier, shall be treated as substituted for 6th April 1946 in the definitions of “appointed day” in Part I of this Act, and references in this Part of this Schedule to the appointed day shall be construed accordingly.

4. The vesting of, or of an interest in, any relevant property shall not be treated as a sale, or as a purchase, for any of the purposes of Chapters I, II and III of Part I of this Act, or for any of the purposes of Part II of this Act.

Industrial buildings and structures, etc.

5. For the purposes of section 3(6) of this Act, any relevant mills, factories or exceptional depreciation allowances made to the transferor in respect of any relevant building or structure shall be treated as having been made to the National Coal Board.

6. Any relevant mills, factories and exceptional depreciation allowances made in respect of any relevant building or structure to the transferor for the year of assessment in which the appointed day fell shall be treated for the purposes of section 4(7) of this Act as if they had been made for a year of assessment before that in which the appointed day fell.

Machinery and plant

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7.—(1) The provisions of this paragraph shall have effect for the purpose of determining whether any, and if so what, deduction, allowance or charge is to be allowed or made under Chapter II of Part I of this Act in respect of any relevant machinery or plant.

(2) Any expenditure incurred by the transferor on the provision of the machinery or plant for the purposes of his trade shall be treated as if it had been incurred by the National Coal Board on the provision thereof for the purposes of their corresponding trade.

(3) Any allowances or deductions made or allowed in respect of, or of any expenditure on, the machinery or plant to the transferor shall be treated as if they had been made or allowed to the said Board, and, for the purposes of section 27(1) of this Act, any such allowances or deductions made or allowed for the year of assessment in which the appointed day fell shall be treated as if they had been made or allowed for a year of assessment previous to that year.

(4) Nothing in this paragraph shall be construed as allowing any allowance made to the transferor to which full effect could not be given owing to an insufficiency of profits or gains of the transferor to be added to or form part of any allowance made to the said Board.

(5) The references in this paragraph to expenditure incurred by the transferor on the provision of the machinery or plant for the purposes of his trade include references to any such expenditure incidental to the provision thereof as is mentioned in section 45 of this Act.

Allowances and charges under Chapter III of Part I of this Act

8. Where the appointed day was after the end of the year 1946-47, section 57(6)(c) of this Act shall not apply.

9. In the application of Schedule 6 to this Act to expenditure on or in connection with any relevant property—

- (a) references in Parts II and III of that Schedule to the trader shall be construed as references to the transferor, and
- (b) references in Part III of that Schedule to any predecessor in the working of the source shall be construed as not including references to the transferor, and
- (c) references in Parts II and III of that Schedule to any relevant mills, factories or exceptional depreciation allowances for any year of assessment before that in which the appointed day fell shall be deemed to include references to any relevant mills, factories or exceptional depreciation allowances for the year of assessment in which the appointed day fell.

PART II

ASSETS TRANSFERRED UNDER THE TRANSPORT ACT 1962

10.—(1) The provisions of this Act, other than section 67, shall apply in relation to the Boards constituted under section 1 of the

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1962 c. 46.

Transport Act 1962 (hereinafter called "the Transport Boards") as if—

- (a) all the assets which under and in pursuance of Part II of the said Act of 1962 were transferred to the Transport Boards had been sold to them by the British Transport Commission on 1st January 1963 in the open market at prices equal to the net book values of those assets (that is to say, the values after deducting any provision for maintenance equalisation and for any form of depreciation) as shown in the books by reference to which the final accounts of the said Commission were made up, and
- (b) on 1st January 1963 the trade carried on by the Commission had been permanently discontinued and the Transport Boards had set up new trades.

(2) If at any time the Minister of Transport directs under section 40(4) of the said Act of 1962, and by reference to paragraph (a) of that subsection, that a part of the British Railways Board's suspended debt shall be extinguished, this paragraph shall apply, and shall be deemed always to have applied, as if the net values of the assets which under or in pursuance of Part II of that Act were transferred to the British Railways Board were the amount determined under sub-paragraph (1) above after deducting from that amount a sum equal to the part of the said Board's suspended debt so extinguished.

There shall be made all such adjustments, whether by way of assessment or otherwise, as may be necessary to give effect to this sub-paragraph and, notwithstanding anything in the Corporation Tax Acts or the Income Tax Acts, any adjustment to give effect to this sub-paragraph as respects any chargeable period may be made at any time not more than six years after the end of the chargeable period in which the Minister gives his direction under the said section 40(4).

(3) Section 67 of this Act shall apply as if the trade carried on by the British Transport Commission was not permanently discontinued at 1st January 1963 and was continued in part by the British Railways Board, in part by the British Transport Docks Board and in part by the British Waterways Board.

Section 85(1).

SCHEDULE 9

ALLOWANCES FOR CONTRIBUTIONS TOWARDS EXPENDITURE

1. Subject to the provisions of this Schedule, the amount of the allowances and the manner in which they are to be made shall be determined on the following basis—

- (a) the asset shall be deemed to continue at all material times to be in use for the purposes of the trade,

- (b) where the asset is machinery or plant and, when the contribution was made, the trade was carried on or to be carried on by a tenant of land in which the contributor has an interest, the contributor shall be deemed to have let the machinery or plant to the said tenant on such terms that the burden of the wear and tear thereof falls directly on the contributor.

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2. Where, when the contribution was made, the trade for the purposes of which it was made was carried on or to be carried on by the contributor, the following provisions shall have effect on any transfer of the trade or any part of the trade—

- (a) where the transfer is of the whole trade, writing-down allowances for chargeable periods ending after the date of transfer shall be made to the transferee, and shall not be made to the transferor,
- (b) where the transfer is of part only of the trade, the provisions of sub-paragraph (a) of this paragraph shall have effect with respect to so much of the allowance as is properly referable to the part of the trade transferred.

3.—(1) Where, when the contribution was made, the trade was carried on or to be carried on by a tenant of land in which the contributor had an interest, a writing-down allowance shall be made to a person for a chargeable period if at the end of that period he is entitled to the contributor's interest in the land, and section 11 of this Act shall, with the necessary modifications, apply in relation to a contribution made for the purposes of a trade carried on or to be carried on by a tenant of land as it applies in relation to expenditure incurred on the construction of a building or structure.

(2) Section 2(3) of this Act shall not apply in relation to writing-down allowances to be made in respect of contributions.

4. Paragraphs 2 and 3 of this Schedule shall not apply where the trade is husbandry in the United Kingdom or the occupation of woodlands in the United Kingdom, and in lieu thereof the provisions of section 68(4)(5) of this Act shall apply with any necessary modifications.

SCHEDULE 10

Sections
91 and 92.

SCIENTIFIC RESEARCH: TRANSITORY PROVISIONS

*Income Tax**Deductions allowable in respect of expenditure incurred before 6th November 1962*

1.—(1) This and the next following paragraph shall have effect for the purposes of income tax.

(2) Subject to that paragraph and to paragraph 4 below, where a person—

- (a) before 6th November 1962, has while carrying on a trade incurred expenditure of a capital nature on scientific research related to that trade and directly undertaken by him or on his behalf, or

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- (b) has, before that date, incurred expenditure of a capital nature on scientific research directly undertaken by him or on his behalf and, after incurring it, sets up and commences a trade connected with that research,

deductions in taxing the trade shall be allowed in respect of the expenditure in accordance with the following sub-paragraphs.

(3) The deductions shall be—

- (a) in the case of expenditure incurred after 5th April 1949, a deduction equal to three-fifths thereof for the first of the five years of assessment specified in sub-paragraph (4) below, and a deduction equal to one-tenth thereof for each of the remaining four of those years,
- (b) in the case of expenditure incurred on or before that date, a deduction equal to one-fifth thereof for each of the said five years.

(4) The five years of assessment are—

- (a) in the case of expenditure incurred before the end of the year of assessment in which the trade was set up and commenced, that and the next four years of assessment,
- (b) in the case of expenditure incurred after the end of the year of assessment in which the trade was set up and commenced but not later than twelve months from the setting up and commencement of the trade, the year of assessment next following that in which the trade was set up and commenced and the next four years of assessment,
- (c) in the case of expenditure incurred after twelve months from the setting up and commencement of the trade and during the basis year for any year of assessment, but subject to sub-paragraph (5) below, that and the next four years of assessment.

1952 c. 10.

(5) In paragraph (c) of the last preceding sub-paragraph “basis year” means, in relation to a year of assessment, the period the profits or gains of which are, under section 127 of the Income Tax Act 1952, to be taken to be the profits or gains of the year preceding that year of assessment; and section 91(4) of this Act shall apply for the purposes of that paragraph as it applies for the purposes of subsection (3)(c) of that section.

*Termination of user of assets provided before
6th November 1962*

2.—(1) Where an asset representing scientific research expenditure of a capital nature incurred before 6th November 1962 by the person carrying on a trade ceases to be used by that person for scientific research related to that trade—

- (a) no allowance shall be made under paragraph 1 above for any year of assessment after that in which the cessation takes place, and
- (b) if the amounts, if any, allowed under that paragraph in respect of the expenditure, added to the value of the asset immediately before the cessation, are less than the said expenditure, there shall be allowed in taxing the trade for

the year of assessment in which the cessation takes place an additional deduction equal to the difference.

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(2) Where an asset representing scientific research expenditure of a capital nature in respect of which an allowance or allowances has or have been made under paragraph 1 above, or sub-paragraph (1) of this paragraph, in taxing a trade ceases to be used by the person carrying on the trade for scientific research related to that trade, and is then or thereafter sold by him without having been used in the meantime for other purposes, then—

(a) if an additional allowance, or a greater additional allowance, would have been made under sub-paragraph (1) of this paragraph for the year of assessment in which the cessation occurred if the proceeds of sale of the asset had been taken to be the value of the asset, an amount equal to the additional allowance which would have been made or, as the case may be, to the difference between the additional allowance which would have been made and the additional allowance which was made for that year shall be allowed in taxing the trade for the year of assessment in which the sale occurs or, if the sale 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) in any other case, if the proceeds of sale plus the total amount of the allowances made under paragraph 1 above and sub-paragraph (1) of this paragraph in respect of the expenditure exceed the amount of the expenditure, the excess or the amount of the allowances so made, whichever is the less, 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.

(3) Where an asset is destroyed, it shall for the purposes of sub-paragraph (2) above be treated as if it had been sold immediately before its destruction, and any insurance moneys or other compensation of any description received by the person carrying on the trade in respect of the destruction, and any moneys received by him for the remains of the asset, shall be treated as if they were proceeds of that sale.

(4) Where sub-paragraph (3) above has effect on the demolition of an asset, the cost of the demolition to the person carrying on the trade shall, for the purposes of sub-paragraph (2) above as applied by the said sub-paragraph (3), be added to the scientific research expenditure represented by the asset.

Application of paragraphs 1 and 2 to corporation tax

3.—(1) Paragraphs 1 and 2 above shall apply for the purposes of corporation tax subject to the provisions of this paragraph.

(2) Subject to sub-paragraph (3) below, for any reference in those paragraphs to the basis year for a year of assessment, or to a year

SCH. 10 of assessment, there shall be substituted a reference to an accounting period.

(3) If, in the case of expenditure incurred by a company, the five years of assessment specified in paragraph 1(4) above have not expired at or before the end of the year 1965-66, allowances under the said paragraph 1 shall be made for successive accounting periods without restriction of number, but so that—

- (a) the allowance for an accounting period of less than a year shall be proportionately reduced, and
- (b) the aggregate of the allowances in respect of any expenditure (whether for years of assessment or for accounting periods) shall not exceed the amount of the expenditure.

Limitation of paragraphs 1 and 2 to expenditure, and assets representing expenditure, incurred, or treated as incurred, after 6th April 1946

4.—(1) Subject to the following sub-paragraph, paragraphs 1 and 2 above shall not apply to expenditure, or assets representing expenditure, incurred on or before 6th April 1946.

(2) Where, on or after 1st January 1937 and on or before 6th April 1946, a person has incurred expenditure of a capital nature on scientific research, he shall, except in the case of expenditure represented by an asset which ceased, on or before the latter day, to be used by him for scientific research related to the trade carried on by him, be treated for the purposes of the said paragraphs 1 and 2 as having incurred that expenditure immediately after that day:

Provided that, where that expenditure is represented by an asset it shall be treated as reduced by the aggregate amount of all allowances or deductions made to him in respect of the asset for any year of assessment before the year 1946-47, being either—

- 1937 c. 54. (a) allowances under section 15 of the Finance Act 1937 (mills, factories allowance), or
- 1941 c. 30. (b) allowances under section 19 of the Finance Act 1941 (exceptional depreciation allowance), or
- (c) writing-down allowances within the meaning of Chapter II of Part I of this Act, or
- 1932 c. 25. (d) additional deductions under section 18 of the Finance Act 1932, or under that section as amended by section 22 of the Finance Act 1938 (additional deductions for wear and tear).
- 1938 c. 46.

(3) Any reference in this paragraph to an allowance or deduction made includes a reference to an allowance or deduction which would have been made but for an insufficiency of profits or gains against which to make it.

SCHEDULE 11

Section 96(3).

REPEALS

Chapter	Short title	Extent of repeal
15 & 16 Geo. 6 & 1 Eliz. 2. c. 10.	The Income Tax Act 1952.	In Part X, Chapters I, II and III, section 314, the definitions of “forestry land” and “forestry income” in section 315 and Chapter VI. Part XI. Section 482. Section 484(2). Section 527(4)(a). In section 531(2) proviso the words “three hundred and twenty-three, three hundred and thirty-nine” and the words “and under subsection (3) of section four hundred and eighty- two of this Act”. Section 531(3). Schedules 12, 14 and 15. In Schedule 22, in Part III, in paragraph 3 the words “I, II, III, and” and the words “or for any of the purposes of Part XI of this Act”, paragraphs 4 to 10 and paragraphs 14 and 15.
15 & 16 Geo. 6 & 1 Eliz. 2. c. 33.	The Finance Act 1952.	Sections 19, 20, 21 and 22. In section 24 the words from “under Chapter II” to “plant and”. Section 25. Schedule 5. In Schedule 6, Part I, paragraph 18(1) and paragraph 18(2) from the beginning to “Part X and”.
1 & 2 Eliz. 2. c. 34.	The Finance Act 1953.	Sections 16, 17 and 18.
2 & 3 Eliz. 2. c. 44.	The Finance Act 1954.	In section 16, subsections (2)(a), (3)(a), (4)(b), (6)(b), (9), (9A), and in subsection (8) the words from “and to amend” to the end of the subsection. Section 20(8). Sections 21 and 23. In Schedule 2 paragraphs 1(4) and 2, and in paragraph 4(1) the words “or the substitution therefor of an initial allow- ance” and paragraphs 6 and 7.
4 & 5 Eliz. 2. c. 54.	The Finance Act 1956.	Sections 16 and 17.
5 & 6 Eliz. 2. c. 49.	The Finance Act 1957.	Sections 16 and 17. Schedules 3 and 4.

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Chapter	Short title	Extent of repeal
6 & 7 Eliz. 2. c. 56.	The Finance Act 1958.	Section 15. In Schedule 6, in Table II in Part I the figures "324(1)".
7 & 8 Eliz. 2. c. 58.	The Finance Act 1959.	In section 21 subsection (2) and in subsection (4), paragraph (b) and the words from "except that" to the end of the subsection. In Schedule 4 paragraphs 1 to 4, 5(d), 6, 7 and 8. In Schedule 5 paragraph 3(3). Section 30.
8 & 9 Eliz. 2. c. 44.	The Finance Act 1960.	Section 30.
9 & 10 Eliz. 2. c. 36.	The Finance Act 1961.	Sections 23 to 27.
10 & 11 Eliz. 2. c. 46.	The Transport Act 1962.	Section 42.
1963 c. 25.	The Finance Act 1963.	Sections 34 and 35. Section 36 except for the words in subsection (1) repealed, with savings, by the Finance Act 1966. Section 37. Sections 40 and 41. Section 42 except for the purposes of sections 33, 38 and 39 (so far as not repealed by the Finance Act 1966). In Schedule 12 paragraph 10 and in paragraph 12 the words "and forestry income".
1964 c. 37.	The Income Tax Management Act 1964.	In Schedule 2 the entry relating to section 324 of the Income Tax Act 1952. In Schedule 4, in Part III of the Table the entries relating to sections 299, 307 and 308 of the Income Tax Act 1952, and to Schedule 5 to the Finance Act 1952; and the amendment of section 323(1) of the Income Tax Act 1952.
1965 c. 4.	The Science and Technology Act 1965.	In Schedule 2 the amendments of sections 335 and 340(4) of the Income Tax Act 1952.
1965 c. 25.	The Finance Act 1965.	Sections 13 and 14. Section 45(2). Section 56. Section 63(2) (3). In Schedule 14— paragraph 1(5), paragraphs 3 and 5, paragraph 6 except for subparagraph (6), paragraphs 7 to 14, in paragraph 15(4) the words from "for the words 'on'" to "1965' and",

Chapter	Short Title	Extent of Repeal
1966 c. 18.	The Finance Act 1966.	<p>paragraphs 16 to 19, paragraphs 22 to 24, paragraph 25(c)(d), in paragraph 26 the words from “(and in particular” to the end of the paragraph, paragraph 27(2), In Schedule 15, paragraph 6 as respects section 482 of the Income Tax Act 1952. In Schedule 16, paragraph 8. In section 35, in subsection (1) the words from “and section 21(2)” to “reduced)” and subsections (3), (4) and (5) except for sub- section (5) as applied by section 36(4). Section 37.</p>
1967 c. 54.	The Finance Act 1967.	<p>In Schedule 6 paragraph 11(3) the words “section 56(6) and”. Section 21.</p>

SCH. 11

SCHEDULE 12

Section 98(2).

CONSEQUENTIAL AMENDMENTS

General

1.—(1) This Schedule is without prejudice to the provisions of section 98(1) of this Act and the following provisions of this paragraph apply, unless the context otherwise requires, as respects references in any enactment passed before, or in the same Session as, this Act.

(2) Any reference to Part X of the Income Tax Act 1952 shall include a reference to Part I of this Act, and any reference to Chapter I, Chapter II or Chapter III of the said Part X shall include a reference to the whole of Chapter I, Chapter II or Chapter III of Part I of this Act as the case may be.

(3) Any reference to Part XI of the Income Tax Act 1952 shall include a reference to Part II of this Act.

(4) Any reference to allowances and charges within section 56 of the Finance Act 1965 shall be taken as a reference to allowances and charges under this Act (including the enactments which under this Schedule are to be treated as if contained in Part I of this Act).

Maintenance relief for agricultural land

2. Sections 71 and 74 of this Act shall apply as if section 313 of the Income Tax Act 1952 were contained in Part I of this Act.

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Patents

1952 c. 10.

3.—(1) The Income Tax Acts and the Corporation Tax Acts shall have effect as if Chapter V of Part X of the Income Tax Act 1952 and Schedule 13 to that Act were contained in Part I of this Act.

(2) In Chapter VI of Part I of this Act as applied by sub-paragraph (1) above—

- (a) sections 71(1) and 74(1) of this Act shall have effect as if the word “primarily” were omitted, the said section 71 shall have effect as if the proviso to subsection (1) and subsection (2) were omitted and the said section 74 shall have effect as if subsections (3), (4) and (5) were omitted,
- (b) section 75 of this Act shall apply to section 316 of the Income Tax Act 1952 (writing-down allowances for purchase of patent rights) as it applies to sections 61, 67 and 68 of this Act,
- (c) the reference in section 82(1) of this Act to a deduction which falls or may fall to be made under Chapter I of Part VII of the Income Tax Act 1952 does not include a deduction to be so made by virtue of the provisions of the said Chapter V relating to charges on capital sums received for patent rights,
- (d) the sum referred to in paragraph 4(1)(a) of Schedule 7 to this Act is, in the case of patent rights, the amount of any capital expenditure on the acquisition thereof remaining unallowed computed in accordance with the provisions of section 317 of the Income Tax Act 1952.

(3) For the purposes of corporation tax, where a balancing charge falls to be made on a company under section 317 of the Income Tax Act 1952 (lapse of patent rights, sales, etc.) section 321(2) of that Act shall have effect as if it required the amount on which the charge is to be made to be treated as income from patents (instead of being charged under Case VI of Schedule D).

(4) In the said Chapter V “the appointed day” means 6th April 1946.

Business or estate management expenditure

1960 c. 44.

4.—(1) Without prejudice to the provisions of section 98(2) of this Act, Part I of this Act has effect subject to section 72 of the Finance Act 1960, and accordingly section 46 of this Act does not apply to allowances or charges falling to be made by virtue of the said section 72.

(2) In relation to allowances falling to be made by virtue of section 72(2)(a) of the Finance Act 1960 (business management expenditure) section 74(1) of this Act (but not the remainder of that section) shall have effect as if any such allowances were to be made by way of discharge or repayment of tax and to be available against income of the business referred to in the said section 72(2)(a), and as if the word “primarily” were omitted.

(3) Effect shall be given to any charge falling to be made by virtue of the said section 72(2)(a) by treating the amount on which the charge is to be made as income of the business referred to in the said section 72(2)(a). SCH. 12

(4) In section 72(8) of the Finance Act 1960 (exclusion of double allowances) for the words "on a management expenses claim" where first occurring there shall be substituted "under paragraph 4 of Schedule 12 to the Capital Allowances Act 1968" (instead of the amendment made by paragraph 15(4) of Schedule 14 to the Finance Act 1965). 1960 c. 44. 1965 c. 25.

Transitory : investment allowances

5.—(1) This paragraph has effect as respects section 16 of the Finance Act 1954 and the other enactments relating to investment allowances which were repealed by Part IV of Schedule 13 to the Finance Act 1966 so far as they remain in force by virtue of the savings at the end of the said Part IV. 1954 c. 44. 1966 c. 18.

(2) Notwithstanding the provisions of the enactments mentioned in sub-paragraph (1) above which apply to investment allowances the provisions of the Income Tax Acts and the Corporation Tax Acts applicable to initial allowances and allowances under section 336 of the Income Tax Act 1952 (which is re-enacted in section 91 of this Act), the following references in this Act (whether explicit or implicit) to such allowances shall not apply to investment allowances, that is— 1952 c. 10.

- (a) the references to initial allowances in sections 1(2), 3(6), 4(2), 18(2), 20 to 41, 56(2), 57(6) and 75(2) and Schedules 1 and 7 ;
- (b) the reference to an initial allowance in section 67(1) in so far as it relates to the rate of allowance, and the reference to allowances in section 67(2) ;
- (c) the references to scientific research allowances in Chapters I and II of Part I ;
- (d) the references in section 92 to allowances under section 91, and the references in paragraph 2 of Schedule 10 to allowances under paragraph 1 of that Schedule.

(3) Section 83 of this Act shall apply to investment allowances as it applies to initial allowances under sections 1, 18 and 56 of this Act.

(4) In a case of expenditure incurred before 8th April 1959 (that is to say a case where the rate of any initial allowance under this Act is by virtue of paragraph 5 of Schedule 1 to this Act to be determined as if this Act had not passed) the enactments mentioned in sub-paragraph (1) above, and their references to provisions repealed by this Act, shall be construed as if this Act had not passed.

- SCH. 12 (5) Subject to sub-paragraph (4) above, in the enactments mentioned in sub-paragraph (1) above for references to any of the enactments repealed by this Act there shall be substituted references to provisions of this Act in accordance with the Table below.

TABLE

	<i>Enactment repealed</i>	<i>Corresponding provision of this Act</i>
1952 c. 10.	Income Tax Act 1952 Section 314 336 Schedule 14	Section 68 91 and paragraph 1 of Schedule 10. Schedule 7
1956 c. 54.	Finance Act 1956 Section 17	Section 67

Transitory : free depreciation in development districts

- 1963 c. 25. 6. In sections 38 and 39 of the Finance Act 1963 (free depreciation in development districts), which were repealed by Part V of Schedule 13 to the Finance Act 1966, so far as in force by virtue of the savings at the end of the said Part V, for references to any of the enactments repealed by this Act there shall be substituted references to provisions of this Act in accordance with the Table below.
- 1966 c. 18.

TABLE

	<i>Enactment repealed</i>	<i>Corresponding provision of this Act</i>
	Income Tax Act 1952 Section 271(3) 271(5) 281 282 284 285 299 307 307(3) 309(2)	Section 7(3) 7(5) 20 21 23 24 43 57 57(4) 59
	Finance Act 1963 Section 35	Sections 20 and 21

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