



Income and Corporation Taxes Act 1970

1970 CHAPTER 10

PART XII

SPECIAL CLASSES OF COMPANIES AND BUSINESSES

CHAPTER I

INVESTMENT AND INSURANCE COMPANIES : EXPENSES OF MANAGEMENT AND CAPITAL ALLOWANCES

304 Expenses of management of investment companies (including savings banks)

- (1) In computing for the purposes of corporation tax the total profits for any accounting period of an investment company resident in the United Kingdom there shall be deducted any sums disbursed as expenses of management (including commissions) for that period, except any such expenses as are deductible in computing income for the purposes of Schedule A:

Provided that there shall be deducted from the amount treated as expenses of management the amount of any income derived from sources not charged to tax, other than franked investment income and group income.

- (2) Where in any accounting period of an investment company the expenses of management deductible under subsection (1) above, together with any charges on income paid in the accounting period wholly and exclusively for purposes of the company's business, exceed the amount of the profits from which they are deductible, the excess shall be carried forward to the succeeding accounting period; and the amount so carried forward shall be treated for purposes of this section, including any further application of this subsection, as if it had been disbursed as expenses of management for that accounting period.
- (3) For the purposes of subsections (1) and (2) above, there shall be added to a company's expenses of management in any accounting period the amount of any allowances

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falling to be made to the company for that period by virtue of section 306 below, in so far as effect cannot be given to them under subsection (2) of that section.

- (4) Where an appeal against an assessment to corporation tax or against a decision on a claim under section 254 of this Act (set off of losses etc. against franked investment income) relates exclusively to the relief to be given under subsection (1) above, the appeal shall lie to the Special Commissioners, and if and so far as the question in dispute on any such appeal which does not lie to the Special Commissioners relates to that relief, that question shall, instead of being determined on the appeal, be referred to and determined by the Special Commissioners, and the Taxes Management Act 1970 shall apply as if that reference were an appeal.
- (5) In this section " investment company " means any company whose business consists wholly or mainly in the making of investments and the principal part of whose income is derived therefrom, but includes any savings bank or other bank for savings.

305 Expenses of management of insurance companies

- (1) Subject to the provisions of this section and of section 307 below, section 304 above shall apply for computing the profits of a company carrying on life assurance business, whether mutual or proprietary, (and not charged to corporation tax in respect of it under Case I of Schedule D), whether or not the company is resident in the United Kingdom, as that section applies in relation to an investment company except that—
- (a) there shall be deducted from the amount treated as expenses of management for any accounting period the amount of any fines, fees or profits arising from reversions, and
 - (b) no deduction shall be made under the proviso to subsection (1) of section 304 above.
- (2) Relief in respect of management expenses shall not be given to any such company, whether under section 254 of this Act or under subsection (1) above, so far as it would, if given in addition to all other reliefs to which the company is entitled, reduce the income tax and corporation tax borne by the company on the income and gains of its life assurance business for any accounting period to less than would have been paid if the company had been charged to tax in respect of that business under Case I of Schedule D; and where relief has been withheld in respect of any accounting period by virtue of this subsection, the excess to be carried forward by virtue of section 304(2) above shall be increased accordingly.

The reference in paragraph 2(1) of Schedule 6 to the Finance Act 1965 (computation of chargeable gains: exclusion of sums taken into account in computing income) to computing income or profits or gains or losses shall not be taken as applying to a computation of a company's income for the purposes of this subsection.

- (3) In subsection (2) above " life assurance business " includes the business of granting annuities on human life.

306 Capital allowances for machinery and plant

- (1) Subject to the provisions of this section, Chapter II of Part I of the Capital Allowances Act 1968, and such other provisions of the Corporation Tax Acts as relate to allowances or charges under that Chapter, shall apply with any necessary adaptations in relation to machinery or plant provided for use or used for the purposes of the management of the business—

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- (a) of an investment company (as defined in section 304(5) above), or
 - (b) of a company carrying on the business of life assurance,
- as they apply in relation to machinery or plant provided for use or used for the purposes of a trade ; and, except as provided by subsection (2) below, in relation to any allowances and balancing charges which fall to be made by virtue of this section the Corporation Tax Acts shall apply as if they were to be made in taxing a trade.
- (2) As respects allowances or charges falling to be made by virtue of this section in relation to any business—
- (a) allowances for any accounting period shall, as far as may be, be given effect by deducting the amount of the allowance from any income for the period of the business, and in so far as effect cannot be so given section 304(3) above shall apply ; and
 - (b) effect shall be given to any charge by treating the amount on which the charge is to be made as income of the business;
- and section 46 of the Capital Allowances Act 1968 (manner of making allowances and charges under Chapter II) shall not apply.
- (3) No allowance, other than an investment allowance, and no balancing charge shall be made by virtue of this section for any accounting period in respect of expenditure incurred by any person on machinery or plant, except in pursuance of an election made by him for that accounting period; but an election for any chargeable period shall have effect as an election for that and all subsequent chargeable periods.
- (4) An election under subsection (3) above shall be made by notice in writing to the inspector either for all machinery or plant provided for use or used for the purposes of the management of the relevant business, or for any class of machinery or plant so provided or used; but an election for machinery or plant of any class shall not be made for any accounting period after an assessment in respect of the business for that or a subsequent accounting period has been finally determined without such an election.
- (5) Corresponding allowances or charges in the case of the same machinery or plant shall not be made under Chapter II of Part I of the Capital Allowances Act 1968 (whether for the same chargeable period or for different chargeable periods) both under subsection (2) above and in some other way; and, on any assessment to tax, expenditure to which an election under this section applies shall not be taken into account otherwise than under the said Chapter II (and except as provided by section 304(3) above).
- (6) In this section references to the purposes of the management of a business are to be taken as referring to those purposes expenditure on which would, apart from this section, be treated as expenses of management within the meaning of section 304 above.
- (7) The Tax Acts shall have effect as if this section were contained in Chapter II of Part I of the Capital Allowances Act 1968.