

## SCHEDULES

### SCHEDULE 1

Sections 19, 394(2) and 404(1).

#### LIFE POLICIES : QUALIFICATION FOR RELIEF ON PREMIUMS

##### PART I

##### QUALIFYING CONDITIONS

###### *General rules applicable to whole life and term assurances*

- 1 (1) Subject to the following provisions of this Part of this Schedule, if a policy secures a capital sum which is payable only on death, or one payable either on death or on earlier disability, it is a qualifying policy if—
  - (a) it satisfies the conditions appropriate to it under sub-paragraphs (2) to (4) below, and
  - (b) except to the extent permitted by sub-paragraph (5) below it does not secure any other benefits.
- (2) If the capital sum referred to in sub-paragraph (1) above is payable whenever the event in question happens, or if it happens at any time during the life of a specified person—
  - (a) the premiums under the policy must be payable at yearly or shorter intervals, and either—
    - (i) until the happening of the event, or, as the case may require, until the happening of the event or the earlier death of the specified person, or
    - (ii) until the time referred to in sub-paragraph (i) above or the earlier expiry of a specified period ending not earlier than ten years after the making of the insurance, and
  - (b) the total premiums payable in any period of twelve months must not exceed—
    - (i) twice the amount of the total premiums payable in any other such period, or
    - (ii) one-eighth of the total premiums which would be payable if the policy were to continue in force for a period of ten years from the making of the insurance, or, in a case falling within paragraph (a) (ii) above, until the end of the period therein referred to.
- (3) If the capital sum referred to in sub-paragraph (1) above is payable only if the event in question happens before the expiry of a specified term ending more than ten years after the making of the insurance, or only if it happens both before the expiry of such a term and during the life of a specified person—
  - (a) the premiums under the policy must be payable at yearly or shorter intervals, and either—

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- (i) until the happening of the event or the earlier expiry of the said term, or, as the case may require, until the happening of the event or, if earlier, the expiry of the term or the death of the specified person, or
  - (ii) as in sub-paragraph (i) above, but with the substitution for references to the term of references to a specified shorter period, being one ending not earlier than ten years after the making of the insurance or, if sooner, the expiry of three-quarters of the said term, and
- (b) the total premiums payable in any period of twelve months must not exceed—
  - (i) twice the amount of the total premiums payable in any other such period, or
  - (ii) one-eighth of the total premiums which would be payable if the policy were to continue in force for the term referred to in paragraph (a)(i) above, or, as the case may require, for the shorter period referred to in paragraph (a)(ii) above.
- (4) If the capital sum referred to in sub-paragraph (1) above is payable only if the event in question happens before the expiry of a specified term ending not more than ten years after the making of the insurance, or only if it happens both before the expiry of such a term and during the life of a specified person, the policy must provide that any payment made by reason of its surrender during the period is not to exceed the total premiums previously paid thereunder.
- (5) Notwithstanding sub-paragraph (1)(6) above, if a policy secures a capital sum payable only on death, it may also secure benefits (including benefits of a capital nature) to be provided in the event of a person's disability; and no policy is to be regarded for the purposes of that provision as securing other benefits by reason only of the fact that it confers a right to participate in profits, that it carries a guaranteed surrender value, that it gives an option to receive payments by way of annuity, or that it makes provision for the waiver of premiums by reason of a person's disability, or for the effecting of a further insurance or insurances without the production of evidence of insurability.
- (6) In applying sub-paragraph (2) or (3) above to any policy—
  - (a) no account shall be taken of any provision for the waiver of premiums by reason of a person's disability, and
  - (b) if the term of the policy runs from a date earlier, but not more than three months earlier, than the making of the insurance, the insurance shall be treated as having been made on that date, and any premium paid in respect of the period before the making of the insurance, or in respect of that period and a subsequent period, as having been payable on that date.
- (7) References in this paragraph to a capital sum payable on any event include references to any capital sum, or series of capital sums, payable by reason of that event; and a policy secures a capital sum payable either on death or on disability notwithstanding that the amount payable may vary with the event

*General rules applicable to endowment assurances*

- 2 (1) Subject to the following provisions of this Part of this Schedule, a policy which secures a capital sum payable either on survival for a specified term or on earlier death, or earlier death or disability, including a policy securing the sum on death

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only if occurring after the attainment of a specified age not exceeding sixteen, is a qualifying policy if it satisfies the following conditions—

- (a) the term must be one ending not earlier than ten years after the making of the insurance,
- (b) premiums must be payable under the policy at yearly or shorter intervals, and—
  - (i) until the happening of the event in question, or
  - (ii) until the happening of that event, or the earlier expiry of a specified period shorter than the term but also ending not earlier than ten years after the making of the insurance, or
  - (iii) if the policy is to lapse on the death of a specified person, until one of those times or the policy's earlier lapse,
- (c) the total premiums payable under the policy in any period of twelve months must not exceed—
  - (i) twice the amount of the total premiums payable in any other such period, or
  - (ii) one-eighth of the total premiums which would be payable if the policy were to run for the specified term,
- (d) the policy—
  - (i) must guarantee that the capital sum payable on death, or on death occurring after the attainment of a specified age not exceeding sixteen, will, whenever that event may happen, be equal to three-quarters at least of the total premiums which would be payable if the policy were to run for that term, disregarding any amounts included in those premiums by reason of their being payable otherwise than annually, and
  - (ii) if it is a policy which does not secure a capital sum in the event of death before the attainment of a specified age not exceeding sixteen, must not provide for the payment in that event of an amount exceeding the total premiums previously paid thereunder, and
- (e) the policy must not secure the provision (except by surrender) at any time before the happening of the event in question of any benefit of a capital nature other than a payment falling within paragraph (d)(ii) above, or benefits attributable to a right to participate in profits or arising by reason of a person's disability.

(2) For the purposes of sub-paragraph (1)(d)(i) above, 10 per cent. of the premiums payable under any policy issued in the course of an industrial assurance business as defined in section 1(2) of the Industrial Assurance Act 1923 shall be treated as attributable to the fact that they are not paid annually.

(3) Sub-paragraphs (6) and (7) of paragraph 1 above shall, with any necessary modifications, have effect for the purposes of this paragraph as they have effect for the purposes of that paragraph.

#### *Special types of policy*

##### (i) Friendly Society policies

- 3      A policy issued by any friendly society, or branch of a friendly society, in the course of its tax exempt life or endowment business, as defined in section 337(3)

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of this Act, is a qualifying policy notwithstanding that it does not comply with the conditions specified in paragraph 1 or 2 above.

(ii) Industrial Assurance policies

4 (1) A policy issued in the course of an industrial assurance business, as defined in section 1(2) of the Industrial Assurance Act 1923, and not constituting a qualifying policy by virtue of paragraph 1 or 2 above, is nevertheless a qualifying policy if—

- (a) the sums guaranteed by the policy, together with those guaranteed at the time the assurance is made by all other policies issued in the course of such a business to the same person and not constituting qualifying policies apart from this paragraph, do not exceed £1,000,
- (b) it satisfies the conditions with respect to premiums specified in paragraph 1(2) above,
- (c) except by reason of death or surrender, no capital sum other than one falling within paragraph (d) below can become payable under the policy earlier than ten years after the making of the assurance, and
- (d) where the policy provides for the making of a series of payments during its term—

- (i) the first such payment is due not earlier than five years after the making of the assurance, and the others, except the final payment, at intervals of not less than five years, and
- (ii) the amount of any payment, other than the final payment, does not exceed four-fifths of the premiums paid in the interval before its payment, and
- (iii) if the first such payment is due earlier than ten years after the making of the assurance, or any other such payment except the last is due earlier than ten years after the preceding one, the sums guaranteed by the policy, together with the other sums referred to in paragraph (a) above so far as guaranteed by policies the payments under which also fall within this sub-paragraph, do not exceed £500.

(2) For the purposes of this paragraph, the sums guaranteed by a policy do not include any bonuses, or, in the case of a policy providing for a series of payments during its term, any of those payments except the first, or any sum payable on death during the term by reference to one or more of those payments except so far as that sum is referable to the first such payment.

(iii) Family income policies and mortgage protection policies

5 (1) The following provisions apply to any policy which is not a qualifying policy apart from those provisions, and the benefits secured by which consist of or include the payment on or after a person's death of—

- (a) one capital sum which does not vary according to the date of death, plus a series of capital sums payable if the death occurs during a specified period, or
- (b) a capital sum, the amount of which is less if the death occurs in a later part of a specified period than if it occurs in an earlier part of that period.

(2) A policy falling within sub-paragraph (1)(a) above is a qualifying policy if—

- (a) it would be one if it did not secure the series of capital sums there referred to, and the premiums payable under the policy were such as would be chargeable if that were in fact the case, and
- (b) it would also be one if it secured only that series of sums, and the premiums thereunder were the balance of those actually so payable.

- (3) A policy falling within sub-paragraph (1)(b) above is a qualifying policy if—
- (a) it would be one if the amount of the capital sum there referred to were equal throughout the period to its smallest amount, and the premiums payable under the policy were such as would be chargeable if that were in fact the case, and
  - (b) it would also be one if it secured only that capital sum so far as it from time to time exceeds its smallest amount, and the premiums payable thereunder were the balance of those actually so payable.

*Other special provisions*

(i) Exceptional mortality risk

- 6 For the purpose of determining whether any policy is a qualifying policy, there shall be disregarded—
- (a) so much of any premium thereunder as is charged on the grounds that an exceptional risk of death is involved, and
  - (b) any provision under which, on those grounds, any sum may become chargeable as a debt against the capital sum guaranteed by the policy on death.

(ii) Connected policies

- 7 Where the terms of any policy provide that it is to continue in force only so long as another policy does so, neither policy is a qualifying policy unless, if they had constituted together a single policy issued in respect of an insurance made at the time of the insurance in respect of which the first-mentioned policy was issued, that single policy would have been a qualifying policy.

(iii) Premiums paid out of sums due under previous policies

- 8 (1) Where, in the case of a policy under which a single premium only is payable, liability for the payment of that premium is discharged in accordance with sub-paragraph (2) below, the policy is a qualifying policy notwithstanding anything in paragraph 1(2) or 1(3) above, or in paragraph (b) or (c) of paragraph 2(1); and where, in the case of any other policy, liability for the payment of the first premium thereunder, or of any part of that premium, is so discharged, the premium or part shall be disregarded for the purposes of paragraph 1(2)(b) and 1(3)(b) above, and of paragraph (c) of paragraph 2(1).
- (2) Liability for the payment of a premium is discharged in accordance with this sub-paragraph if it is discharged by the retention by the company with whom the insurance is made of the whole or a part of any sum which has become payable on the maturity of, or on the surrender more than ten years after its issue of the rights conferred by, a policy—
- (a) previously issued by the company to the person making the insurance, or, if it is made by trustees, to them or any predecessors in office, or
  - (b) issued by the company when the person making the insurance was an infant, and securing a capital sum payable either on a specified date falling not more than one month after his attaining twenty-five, or on the anniversary of the policy immediately following his attainment of that age,
- being, unless it is a policy falling within paragraph (b) above and the premium in question is a first premium only, a policy which was itself a qualifying policy, or which would have been a qualifying policy had it been issued in respect of an insurance made after 19th March 1968.

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(iv) Substitutions and variations

- 9 (1) Where one policy (hereafter referred to as "the new policy ") is issued in substitution for, or on the maturity of and in consequence of an option conferred by, another policy (hereafter referred to as " the old policy " ), the question whether the new policy is a qualifying policy shall, to the extent provided by the rules in sub-paragraph (2) below, be determined by reference to both policies.
- (2) The said rules (for the purposes of which, the question whether the old policy was a qualifying policy shall be determined in accordance with this Part of this Schedule, whatever the date of the insurance in respect of which it was issued), are as follows—
- (a) if the new policy would apart from this paragraph be a qualifying policy, but the old policy was not, the new policy is not a qualifying policy unless the person making the insurance in respect of which it is issued was an infant when the old policy was issued, and the old policy was one securing a capital sum payable either on a specified date falling not later than one month after his attaining twenty-five or on the anniversary of the policy immediately following his attainment of that age ;
  - (b) if the new policy would apart from this paragraph be a qualifying policy, and the old policy was also a qualifying policy, the new policy is a qualifying policy unless—
    - (i) it takes effect before the expiry of ten years from the making of the insurance in respect of which the old policy was issued, and
    - (ii) the highest total of premiums payable thereunder for any period of twelve months expiring before that time is less than one half of the highest total paid for any period of twelve months under the old policy, or under any related policy issued less than ten years before the issue of the new policy ("related policy" meaning any policy in relation to which the old policy was a new policy within the meaning of this paragraph, any policy in relation to which that policy was such a policy, and so on);
  - (c) if the new policy would not apart from this paragraph be a qualifying policy, and would fail to be so by reason only of paragraph 1(2) or 1(3) above or of paragraph (a), (b) or (c) of paragraph 2(1), it is nevertheless a qualifying policy if the old policy was a qualifying policy and—
    - (i) the old policy was issued in respect of an insurance made more than ten years before the taking effect of the new policy, and the premiums payable for any period of twelve months under the new policy do not exceed the smallest total paid for any such period under the old policy, or
    - (ii) the old policy was issued outside the United Kingdom, and the circumstances are as specified in sub-paragraph (3) below.
- (3) The said circumstances are—
- (a) that the person in respect of whom the new insurance is made became resident in the United Kingdom during the twelve months ending with the date of its issue,
  - (b) that the issuing company certify that the new policy is in substitution for the old, and that the old was issued either by a branch or agency of theirs outside the United Kingdom or by a company outside the United Kingdom with whom they have arrangements for the issue of policies in substitution for ones held by persons coming to the United Kingdom, and

- (c) that the new policy confers on the holder benefits which are substantially equivalent to those which he would have enjoyed if the old policy had continued in force.
- 10
- (1) Subject to the provisions of this paragraph, where the terms of a policy are varied, the question whether the policy after the variation is a qualifying policy shall be determined in accordance with the rules in paragraph 9 above, with references in those rules to the new policy and the old policy construed for that purpose as references respectively to the policy after the variation and the policy before the variation, and with any other necessary modifications.
  - (2) In applying any of those rules by virtue of this paragraph, the question whether a policy after a variation would be a qualifying policy apart from the rule shall be determined as if any reference in paragraphs 1 to 7 of this Schedule to the making of an insurance, or to a policy's term, were a reference to the taking effect of the variation or, as the case may be, to the term of the policy as from the variation.
  - (3) This paragraph does not apply by reason of—
    - (a) any variation which, whether or not of a purely formal character, does not affect the terms of a policy in any significant respect, or
    - (b) any variation effected before the end of the year 1968 for the sole purpose of converting into a qualifying policy any policy issued (but not one treated by virtue of section 19(5) of this Act as issued) in respect of an insurance made after 19th March 1968.

## PART II

### CERTIFICATION OF QUALIFYING POLICIES

- 11
- (1) Subject to sub-paragraph (3) below, a body issuing any policy of life insurance which is in its opinion a qualifying policy within the meaning of Part I of this Schedule shall, within three months of the date of issue, give to the policy holder a duly authenticated certificate to that effect, specifying in the certificate the name of the policy holder, the name of the person whose life is assured, the reference number or other means of identification allocated to the policy, the capital sum or sums assured, and the amounts and dates for payment of the premiums.
  - (2) Subject to the said sub-paragraph (3), where a policy of life insurance is varied, and is in the opinion of the body by whom it was issued a qualifying policy after the variation, that body shall, within three months of the making of the variation, give to the policy holder a like certificate with respect to the policy as varied.
  - (3) Where, in the case of any policy, or any policy after a variation, the total premiums payable in any period of twelve months do not exceed £26, a certificate need be given under sub-paragraph (1) or (2) above only if requested in writing by the policy holder, and, if so requested, shall be given within three months of receipt of the request; and sub-paragraph (2) above shall not apply by reason of—
    - (a) any variation which, whether or not of a purely formal character, does not affect the terms of a policy in any significant respect, or
    - (b) any variation of a policy issued in respect of an insurance made on or before 19th March 1968, other than a variation by virtue of which the policy falls, under section 19(5) of this Act, to be treated as issued in respect of an insurance made after that date.

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## SCHEDULE 2

Section 71.

### RESTRICTIONS ON SCHEDULE A DEDUCTIONS

#### *Expenditure before 1964-65: deductions from rents*

- 1 (1) Except as provided by sub-paragraphs (2) and (3) below, no payment shall be deductible under sections 72 and 73 of this Act if made before the beginning of the year 1964-65.
- (2) Where, by virtue of paragraph 11 of Schedule 4 to the Finance Act 1963 as amended by section 16(2) of the Finance Act 1965 (excess of maintenance etc. costs during five years ending 5th April 1964 over available reliefs), any amount fell to be treated as a payment in relation to premises made by a person in the year 1964-65 in respect of dilapidation attributable to that year, the amount shall be similarly treated for the purposes of the said sections 72 and 73.
- (3) If, in respect of any payment such as is mentioned in subsection (1) of the said section 72 made by a person in relation to any premises before the beginning of the year 1964-65, a loss was carried forward to that year by virtue of section 346 of the Income Tax Act 1952 (relief in respect of losses under Case VI of Schedule D) the amount of the loss shall be treated for the purposes of the said sections 72 and 73 as if it were a like payment made by that person in respect of the premises in, and in respect of, that year.
- (4) A deduction falling to be made by virtue of sub-paragraph (3) above shall be made notwithstanding anything in section 176(3) or 179(1) of this Act (Case VI losses for income tax and corporation tax respectively: relief to be given as far as possible from the first subsequent Case VI assessment); and relief shall not be given under either of those sections in respect of the loss insofar as a deduction in respect of it is made under this paragraph.

#### *Expenditure before 1964-65: deductions from other receipts*

- 2 (1) Subject to sub-paragraph (2) below, no payment shall be deductible under section 74 of this Act if made before the beginning of the year 1964-65.
- (2) Sub-paragraph (1) above shall not prevent the deduction of a payment in so far as a loss in respect thereof was carried forward to the year 1964-65 by virtue of section 346 of the Income Tax Act 1952 (relief in respect of losses under Case VI of Schedule D).
- (3) Paragraph 1(4) above shall apply in the case of a deduction falling to be made by virtue of sub-paragraph (2) above as it applies in the case of one falling to be made by virtue of sub-paragraph (3) of that paragraph.

#### *Expenditure before 1964-65: sea walk*

- 3 (1) Section 76 of this Act shall apply in relation to expenditure in respect of which an allowance under section 94(1)(c) of the Income Tax Act 1952 would, but for its repeal, have fallen to be made in respect of any premises for the year 1964-65 as if the expenditure had been incurred in the year of assessment following that in which it was actually incurred and, so far as it was incurred in repairing an embankment, had been incurred in making it:



Provided that if, by reason of a claim made under the proviso to paragraph 16(3) of Schedule 4 to the Finance Act 1963, any expenditure incurred before the beginning of the year 1964-65 in repairing an embankment fell to be treated for the purposes of that Schedule as if it had been an amount paid by the claimant, in and in respect of that year, in respect of the maintenance of the premises preserved or protected by the embankment, the expenditure shall be similarly treated for the purposes of sections 71 to 77 of this Act.

- (2) Subject as aforesaid, the said section 76 shall not apply to expenditure incurred before the beginning of the year 1964-65.

*Tithe redemption annuities*

- 4 No part of any payment made as an instalment, or part of an instalment, of an annuity within the meaning of the Tithe Acts 1936 and 1951 shall be included among the deductions allowable under sections 71 to 77 of this Act.

SCHEDULE 3

Section 85.

PREMIUMS ETC. TAXABLE UNDER SCHEDULES A AND D: SPECIAL RELIEF FOR INDIVIDUALS

- 1 A claim for relief under this Schedule shall be made to the Board if it relates to surtax, or if the claimant is not resident in the United Kingdom.
- 2 The relief shall be computed in accordance with paragraphs 3 to 6 below, and in those paragraphs—
- "chargeable sum" means an amount to which, under subsection (1), (2), (3) or (4) of section 80 of this Act, the claimant is treated as becoming entitled in the year of assessment, or in respect of which he is by virtue of subsection (5) of that section, or section 81 or 82 of this Act, chargeable to income tax for the year under Case VI of Schedule D ;
- "relevant period", in relation to any chargeable sum, means the period treated in computing the amount of the sum as being the duration of the lease in respect of which it arises or, where it arises (by virtue of the said section 82) in connection with the sale of an estate or interest in land, means the period mentioned in subsection (1) of that section;
- "yearly equivalent", in relation to any chargeable sum, means the amount which bears to that sum the same proportion as one bears to the number of years and fractions of years in the relevant period.
- 3 There shall be computed—
- (a) the amount of the tax which, in respect of the chargeable sum or the aggregate of the chargeable sums, as the case may be, would be chargeable if—
- (i) the relief were not given, and
- (ii) that sum or aggregate were treated as the highest part of the claimant's total income, and
- (iii) amounts deductible in computing the tax were so far as possible deducted from other sums from which they are deductible in the year rather than from that sum or aggregate, and

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- (b) the amount of the tax which, in respect of that sum or aggregate, would be chargeable if calculated, in accordance with paragraph 4 below, by reference to the yearly equivalent of that sum, or, as the case may be, of each sum comprised in that aggregate,

and the relief shall consist of a reduction or repayment of tax equal to the difference between those amounts.

- 4 (1) Where the relief is to be given in respect of one chargeable sum only, the tax shall be calculated for the purposes of paragraph 3(b) above as follows—

- (a) from the yearly equivalent of that sum there shall be deducted such amounts as, following the principle set out in paragraph 3(a)(iii) above, are deductible from that sum,
- (b) if any balance of the yearly equivalent remains, the tax in respect of the chargeable sum shall be calculated at the rate which, apart from the relief, would apply if the amount of the sum were reduced to the amount of that balance and were then treated as the highest part of the claimant's total income or, if two or more rates would then apply, at those rates in corresponding proportions,
- (c) if no such balance remains, the tax shall be calculated at the rate applicable to the highest part of the remainder of the claimant's total income for the year of assessment,

and, whether or not any such balance remains, the tax shall be arrived at by applying the said rate or rates to so much of the chargeable sum as remains after deducting such amounts as, following the principle set out in the said paragraph 3(a)(iii), are deductible from that sum.

- (2) Where the relief is to be given in respect of two or more chargeable sums, the tax for each shall be calculated for the said purposes as provided by sub-paragraph (1) above, but so that—

- (a) the rate of tax on a sum arising in respect of any relevant period shall be calculated before the rate of tax on any sum arising in respect of a shorter relevant period, and
- (b) in calculating the rate of tax on a sum arising in respect of any relevant period and the deductions from that sum, an amount deducted in respect of a sum tax for which has already been calculated shall not again be deducted, and, in calculating a rate of tax—
  - (i) any chargeable sum tax for which has not already been calculated, or in respect of which no balance of the yearly equivalent remains, shall be disregarded, and
  - (ii) as respects any other chargeable sum, the total income of the claimant shall be taken to include the sum, but on the assumption that the amount of it was only that of the balance remaining of the yearly equivalent.

- (3) Where two or more chargeable sums arise in respect of relevant periods of equal duration, they shall be treated for the purposes of this paragraph as a single chargeable sum of an amount equal to the aggregate of those sums and arising in respect of a relevant period of like duration.

- 5 A provision of paragraph 3 or 4 above requiring tax to be calculated as if an amount were treated as the highest part of the claimant's total income shall apply notwithstanding any provision of the Income Tax Acts directing other income to

be treated as the highest part of his total income, but for the purposes of those paragraphs his total income shall be deemed—

- (a) not to include any amount in respect of which he is chargeable to tax under section 187 of this Act (payments on retirement or removal from office or employment), and
- (b) to include, in respect of any amount which would otherwise be included therein by virtue of section 399 (1)(a) of this Act (gains arising in connection with life policies etc.), no greater amount than the appropriate fraction thereof within the meaning of section 400 of this Act.

- 6 A provision of paragraph 3 or 4 above shall apply in relation to any part of the claimant's total income (as computed for the purposes of that provision) as respects which he would be entitled under Chapter II of Part I of this Act (personal and other reliefs) to a deduction equal to tax at the standard rate on that part as if that part were subject to a nil rate of tax, and shall apply in relation to any part thereof as respects which he would be entitled under section 22 of this Act (reduced rate relief) to a deduction equal to tax at any other rate on that part as if that part were subject to a rate of tax equal to the difference between the standard rate and that other rate.

## SCHEDULE 4

Sections 88 and 158.

### SCHEDULES A AND D: ALLOWANCES FOR BETTERMENT LEVY

#### PART I

##### PREMIUMS ETC.

- 1 (1) Subject to paragraph 5 of this Schedule, for the purposes of section 80(1) of this Act (taxation of premium on grant of lease), the amount of any premium payable to the landlord shall be reduced by the amount of any betterment levy charged on the premium, and that reduction shall be made before the reduction under the said section 80(1) depending upon the length of the lease.
- (2) In applying subsection (6) of the said section 80 (premiums payable by instalments: claim for treatment as rent) to a premium which falls to be reduced under sub-paragraph (1) above (looking at the fraction by which it is reduced before any reduction depending on the length of the lease), a reduction by that fraction shall be made in the amount of each instalment.
- (3) For the purposes of sub-paragraph (1) above, the amount of betterment levy charged on a premium is the principal amount of the betterment levy under Case B charged in respect of the grant of the lease, reduced by applying the fraction

$$\frac{A}{B}$$

(if less than unity) where—

A is the capital value of the premium payable to the landlord as brought into account under paragraph 7 of Schedule 4 to the Land Commission Act 1967, and

B is the aggregate amount of consideration as computed for the purposes of charging betterment levy.

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- (4) Sub-paragraphs (1) and (3) above shall also apply as respects any amounts brought into section 80(1) of this Act as a premium by subsection (2) of that section (landlord's benefit from tenant's obligation to carry out work on premises) so far as the benefit to the landlord is brought into account under the said paragraph 7 of Schedule 4 to the Land Commission Act 1967 ; and references to premiums in this paragraph shall be construed accordingly.
  - (5) For the purposes of sub-paragraph (1) above, the amount of betterment levy charged on any sum brought into the said section 80(1) as a premium by subsection (4) of that section (consideration for the variation or waiver of the terms of a lease) is the principal amount of the betterment levy under Case E or Case F charged in respect of the disposition for which that sum is consideration, but subject to a proportionate reduction as under sub-paragraph (3) above where the sum forms part only of the consideration brought into account in assessing the betterment levy in respect of the disposition, and where the levy is under Case F, subject to such adjustments of the consideration so brought into account as may be appropriate ; and references to a premium in this paragraph shall be construed accordingly.
- 2      Subject to paragraph 5 of this Schedule, any taxable amount under section 81 or 82 of this Act (assignment of lease at undervalue, and sale with right to reconveyance) shall be reduced by so much of the principal amount of any betterment levy under Case A charged on the assignment or sale on which the charge to tax arises as is attributable to the said taxable amount, and that reduction shall be made before any reduction under the said section 81 depending on the length of the lease, or any reduction under the said section 82 depending on the time between the sale and a subsequent reconveyance.
- 3      Any reduction to be effected under any of the provisions of paragraphs 1 and 2 above shall be disregarded in arriving at "the amount chargeable on the superior interest" in section 83 of this Act (premiums paid, etc: deduction from premiums and rents received) and " the amount chargeable " in section 134 of this Act (allowance of trading deduction where premium etc. paid).
- 4      (1) Where for the purposes of Part III of the Land Commission Act 1967 a notice of assessment of betterment levy results in an operative assessment of levy, it shall become final and conclusive for the purposes of this Part of this Schedule, but subject to any adjustment under section 54 or 55 of that Act (mistake of fact and further notice of assessment of levy), or under any other provision of that Act.
- (2) Where betterment levy is chargeable in respect of land part only of which is the relevant land for the purposes of the charge to tax under Schedule A or Case VI of Schedule D, or where part of the consideration for a disposition is payable to a person other than the grantor in the circumstances mentioned in section 36(3) of the Land Commission Act 1967, the levy shall be apportioned in such manner as may be appropriate in the circumstances.
- (3) Any question arising in any appeal against an assessment to tax as to the application of the preceding provisions of this Part of this Schedule shall be determined on a reference to the Lands Tribunal.
- (4) The Land Commission shall afford to the inspector and to the Lands Tribunal such information as they may require for the purpose of this Part of this Schedule.
- (5) In relation to land in Scotland, for any reference in this paragraph to the Lands Tribunal there shall be substituted a reference to the Lands Tribunal for Scotland:

Provided that until sections 1 to 3 of the Lands Tribunal Act 1949 come into force as regards Scotland, this sub-paragraph shall have effect as if for the reference to the Lands Tribunal for Scotland there were substituted a reference to a person selected from the panel of referees appointed under Part I of the Finance (1909-1910) Act 1910.

## PART II

### MINING LEASES

- 5 Part I of this Schedule shall not apply to betterment levy which is charged on any payment in accordance with regulations made in accordance with section 40(2) of the Finance Act 1968 (rents, royalties and other payments, including premiums, under mining leases).
- 6 Where betterment levy is charged as mentioned in paragraph 5 above on a payment which is charged to tax under Schedule A, the amount of betterment levy so charged shall for the purposes of Schedule A be treated as a payment made by the landlord in respect of management of the property in the chargeable period in which he becomes entitled to the payment:
- Provided that where the amount of the payment is reduced under section 80 of this Act (treatment of premiums etc. as rent), the amount of the betterment levy charged thereon shall be treated for the purposes of this paragraph as reduced in the same proportion.
- 7 Where betterment levy is charged as mentioned in paragraph 5 above on any payment which is charged to tax under Schedule D by virtue of section 156 of this Act (rent etc. payable in connection with mines, quarries and similar concerns), the amount of betterment levy so charged shall be treated—
- (a) for the purposes of section 158(1) of this Act (income tax: management expenses of owner of mineral rights), as a sum disbursed as an expense of management in the year of assessment for which the tax is charged, and
  - (b) for the purposes of subsection (2) of the said section 158 (corresponding provision for corporation tax), as a sum so disbursed in the accounting period in which the payment falls to be taken into account for corporation tax.
- 8 The Land Commission shall afford to any officer of the Board such information as he may require for the purposes of this Part of this Schedule.

## SCHEDULE 5

Sections 94 and 159.

### MACHINERY FOR ASSESSMENT, CHARGE AND PAYMENT OF INCOME TAX UNDER SCHEDULE C, AND, IN CERTAIN CASES, SCHEDULE D

#### PART I

PUBLIC REVENUE DIVIDENDS, ETC., PAYABLE TO THE BANK OF ENGLAND  
AND THE BANK OF IRELAND, OR ENTRUSTED FOR PAYMENT TO THE BANK OF  
ENGLAND, THE BANK OF IRELAND OR THE NATIONAL DEBT COMMISSIONERS

- 1     The Bank of England and the Bank of Ireland, as respects the dividends and the profits attached thereto payable to them out of the public revenue of the United Kingdom, or payable out of any public revenue and entrusted to them for payment and distribution, and the National Debt Commissioners, as respects the dividends payable by them or of which they have the distribution, shall, when any payment becomes due, deliver to the Board true accounts, in books provided for the purpose, of—
  - (a) the amounts of the dividends and profits attached thereto payable to the Bank, and
  - (b) all dividends entrusted to the Bank or to the National Debt Commissioners for payment to the persons entitled thereto, and
  - (c) the amount of income tax chargeable thereon at the standard rate in force at the time of payment, without any other deduction than is allowed by the Income Tax Acts.
  
- 2     (1) In the case of dividends and profits attached thereto payable to the Bank of England out of the public revenue of the United Kingdom, the Bank of England shall set apart the income tax in respect of the amount payable to them.
  
- (2) In the case of dividends and profits attached thereto entrusted to the Bank of England for payment and distribution, dividends payable by the Bank of Ireland at its principal office in Belfast, and dividends payable by the National Debt Commissioners or of which the National Debt Commissioners have the distribution—
  - (a) the Bank of England, the Bank of Ireland and the National Debt Commissioners respectively shall, before any payment is made by them, retain the amount of the income tax for the purposes of the Income Tax Acts, and
  - (b) the retaining of the amount shall be deemed to be a payment of the income tax by the persons entitled to the dividends, and shall be allowed by them on the receipt of the residue thereof, and
  - (c) the Bank of England, the Bank of Ireland and the National Debt Commissioners respectively shall be acquitted and discharged of a sum equal to the amount retained as though that sum had been actually paid.
  
- (3) In relation to dividends payable to the Bank of Ireland out of the public revenue of the United Kingdom, and public revenue dividends which are entrusted to the Bank of Ireland for payment and distribution and are not payable by that Bank at its principal office in Belfast, the following provisions shall have effect—
  - (a) the money which, but for the provisions of this subparagraph, would be issuable to the Bank of Ireland under section 14 of the National Debt Act 1870, or otherwise payable to the Bank of Ireland for the purpose of

dividends on securities of the United Kingdom Government entered in the register of the Bank of Ireland in Dublin, shall be issued and paid to the Bank of England, and

- (b) the Bank of England shall set apart and retain out of moneys so issued and paid to them the amount of the income tax on the dividends payable to the Bank of Ireland, and on the dividends on the securities of the United Kingdom Government entered in the register of the Bank of Ireland in Dublin, and
- (c) the Bank of England shall pay to the Bank of Ireland the residue of the moneys so issued and paid to them, to be applied by the Bank of Ireland to the payment of the dividends, and
- (d) the retaining of the amount shall be deemed to be a payment of the income tax by the persons entitled to the dividends, and shall be allowed by them on the receipt of the residue thereof, and the Bank of England and the Bank of Ireland shall be acquitted and discharged of a sum equal to the amount retained as though that sum had been actually paid.

3 Money set apart or retained under paragraph 2 above, and the amount of any tax charged on the trading profits of the Bank of England or the Bank of Ireland, shall be paid into the general account of the Board at the Bank of England or the Bank of Ireland.

4 No deduction of income tax under this Part of this Schedule shall be made from any dividends payable in respect of stock, securities or annuities standing in the name of the official custodian for charities, nor from any dividends in respect of which there is given to the Bank of England a certificate from the Charity Commissioners that the dividends are subject only to charitable trusts and are exempt from tax.

## PART II

### PUBLIC REVENUE DIVIDENDS PAYABLE BY PUBLIC OFFICES AND DEPARTMENTS

5 Where any payment is made of public revenue dividends payable by any public office or department of the Crown, the appropriate officer shall retain the income tax charged and pay the same into the general account of the Board at the Bank of England or the Bank of Ireland.

## PART III

### OTHER PUBLIC REVENUE DIVIDENDS, FOREIGN DIVIDENDS, AND PROCEEDS OF COUPONS

6 The following persons are chargeable persons for the purposes of this Part of this Schedule—

- (a) every person (other than the National Debt Commissioners or the Bank of England or the Bank of Ireland) who is entrusted with the payment of any dividends which are payable out of the public revenue of Northern Ireland, or which are payable to any persons in the United Kingdom out of any public revenue other than that of the United Kingdom or Northern Ireland,
- (b) every person in the United Kingdom who is entrusted with the payment of any foreign dividends within the meaning of section 159 of this Act,
- (c) every banker or other person in the United Kingdom who obtains payment of any dividends in such circumstances that the dividends are chargeable to

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tax under Schedule C, or, in the case of foreign dividends as above defined, under Schedule D, and

- (d) every banker in the United Kingdom who sells or otherwise realises coupons, and every dealer in coupons in the United Kingdom who purchases coupons, in such manner that the proceeds of the sale or realisation are chargeable to tax under Schedule C, or, in the case of foreign dividends as above defined, under Schedule D ;

and every such person shall deliver to the Board—

- (i) on demand by the Board, true and perfect accounts of the amount of all such dividends or proceeds, and
- (ii) not later than twelve months after paying any dividends or effecting any other transaction in respect of which he is a chargeable person, and unless within that time he delivers an account with respect to the dividends or proceeds in question under paragraph (i) above, a written statement specifying his name and address and describing those dividends or proceeds.

7 The Board shall have all necessary powers in relation to the examining, auditing, checking and clearing of the books and accounts of dividends or proceeds delivered under paragraph 6 above, and shall assess and charge the dividends or proceeds at the standard rate of tax in force at the time of payment, but reduced by the amount of the exemptions (if any) allowed by them, and shall give notice of the amount so assessed and charged to the chargeable person.

8 The chargeable person shall out of moneys in his hands pay the income tax on the dividends or proceeds on behalf of the persons entitled thereto, and shall be acquitted in respect of all such payments, and the provisions of the Income Tax Acts shall apply as in the case of dividends payable out of the public revenue of the United Kingdom and entrusted to the Bank of England for payment and distribution.

9 The chargeable person shall pay the income tax into the general account of the Board at the Bank of England or the Bank of Ireland, and, in default of payment, it shall be recovered from him in the same manner as other tax assessed and charged upon him may be recovered.

10 A chargeable person who does all such things as are necessary to enable the tax to be assessed and paid shall receive as remuneration an allowance, to be calculated by reference to the amount of the dividends or proceeds paid from which tax has been deducted, and to be fixed by the Treasury at a rate not being less than thirteen shillings and sixpence for every £1,000 of that amount:

Provided that this paragraph shall not apply to any person entrusted with the payment of dividends payable out of the public revenue of Northern Ireland.

11 Nothing in the preceding provisions of this Part of this Schedule shall impose on any banker the obligation to disclose any particulars relating to the affairs of any person on whose behalf he may be acting.

12 Where income tax in respect of the proceeds of the sale or realisation of any coupon has been accounted for under this Part of this Schedule by any banker or dealer, and the coupon has been subsequently paid in such manner that income tax has been deducted from the payment under any of the provisions of this Schedule, the tax so deducted shall be repaid. A claim under this paragraph shall be made to the Board.

13 (1) Without prejudice to the generality of paragraph 7 above, the Board may, by notice in writing served on any chargeable person, require that person, within such time as may be specified in the notice, to make available at his premises for inspection by an



officer authorised by the Board all such books and other documents in the possession or control of that person as the officer may reasonably require for the purpose of determining whether any accounts delivered by that person under paragraph 6 above are correct and complete.

- (2) The Board may grant a certificate exempting any chargeable person from the provisions of sub-paragraph (1) above, and while the certificate is in force the powers conferred by that sub-paragraph shall not be exercisable in relation to that person; and any such certificate may be revoked at any time by the Board, and may contain such terms and conditions as they think proper.

## PART IV

### INTERPRETATION OF PARTS I TO III ABOVE

- 14 Section 107 of this Act (which defines, amongst other expressions, " dividends ", " public revenue ", " public revenue dividends ", " banker" and " coupons ") shall apply for the interpretation of Parts I to III of this Schedule as it applies for the interpretation of Part V of this Act:

Provided that, in Part III of this Schedule, " dividends " shall include any such interest and other payments as are foreign dividends within the meaning of section 159 of this Act.

## SCHEDULE 6

Section 139.

### SCHEDULE D, CASE I: TREATMENT OF FARM ETC. ANIMALS

#### *Farming: the general rule*

- 1 (1) Subject to the provisions of this Schedule, in computing profits or gains under Case I of Schedule D, animals kept by a fanner for the purposes of his fanning shall be treated as trading stock.
- (2) Animals forming part of production herds with respect to which an election under paragraph 2 below has effect shall not be so treated, but shall be treated instead in accordance with the rules set out in paragraph 3 below.
- (3) An election under the said paragraph 2 is in this Schedule referred to as " an election for the herd basis ".

#### *Farming: election for the herd basis*

- 2 (1) An election for the herd basis shall apply to all production herds of a particular class kept by the farmer making the election, including herds which he has ceased to keep before the making of the election, or first begins to keep after the making thereof.
- (2) An election for the herd basis must be made in writing to the inspector, and must specify the class of herds to which it relates.
- (3) Subject to paragraph 6 below, an election for the herd basis shall be valid only if it is made not later than two years after the end of the first chargeable period for which the

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farmer making the election is chargeable under Case I of Schedule D to tax in respect of the profits or gains of his farming, or is given relief under section 168 or 177(2) of this Act (set off of trading losses against general income) in respect of his farming, being profits or gains or relief the amount of which is computed by reference to the facts of a period during the whole or some part of which the farmer kept a production herd of the class in question.

- (4) An election for the herd basis shall be irrevocable and, subject to paragraph 6 below, shall have effect for the said first chargeable period and all subsequent chargeable periods.
- 3
- (1) Where an election for the herd basis has effect, the consequences for the purpose of computing profits or gains under Case I of Schedule D shall be as provided by this paragraph.
  - (2) The initial cost of the herd and, subject to the provisions of this paragraph as to replacements, the cost of any animal added to the herd shall not be deducted as an expense, and the value of the herd shall not be brought into account.
  - (3) Where an animal which has theretofore been treated as part of the farmer's trading stock is added to the herd otherwise than by way of replacement, there shall be included as a trading receipt—
    - (a) in the case of an animal bred by the farmer, a sum equal to the cost of breeding it and rearing it to maturity, and
    - (b) in any other case, a sum equal to the initial cost to the farmer of acquiring the animal, together with any cost incurred by him in rearing it to maturity.
  - (4) Where an animal forming part of the herd dies, or ceases to form part thereof, and is replaced therein by another animal—
    - (a) any proceeds of sale of the animal which dies or ceases to form part of the herd shall be included as a trading receipt, and
    - (b) the cost of the animal which replaces it, except in so far as that cost consists of such costs as are allowable apart from the provisions of this Schedule as deductions in computing profits or gains of farming under Case I of Schedule D, shall be deducted as an expense:
- Provided that—
- (i) where the second-mentioned animal is of better quality than the animal which it replaces, the amount deducted shall not exceed the amount which it would have been necessary to expend in order to acquire an animal of the same quality as the one replaced, and
  - (ii) where the animal which is replaced was slaughtered by the order of any Ministry, government department or local or public authority under the law relating to diseases of animals, and the animal which replaces it is of worse quality, the amount included as a trading receipt shall not exceed the amount allowable as a deduction.
- (5) Where the herd is sold as a whole, and another production herd of the same class is acquired, sub-paragraphs (1) to (4) above shall apply as though there had been sold from the original herd, and replaced therein, a number of animals equal to the number in the original herd or in the newly acquired herd, whichever is the less.
  - (6) If (either all at once or over a period not exceeding twelve months) either—

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- (a) the whole of a herd is sold in circumstances in which subparagraph (5) above does not apply, or
- (b) a part of a herd is sold on a substantial reduction being made in the number of animals in the herd,

any profit or loss arising from the transaction shall not be taken into account:

Provided that where, within five years of the sale, the seller acquires or begins to acquire another production herd of the class in question or, as the case may be, acquires or begins to acquire animals to replace the part of the herd in question—

- (i) sub-paragraphs (4) and (5) above shall apply to the acquisition or replacement, except that, if the sale was one which the seller was compelled to effect by causes wholly beyond his control, the amount included as a trading receipt in respect of any animal sold which is replaced by an animal of worse quality shall not exceed the amount allowable as a deduction in respect of that animal of worse quality, and
  - (ii) for the purposes of the application of those sub-paragraphs, the proceeds of sale of the animals comprised in the original herd or part of a herd shall be brought into account as if they had been respectively received at the times of the corresponding acquisitions.
- (7) If an animal forming part of the herd is sold, and neither sub-paragraph (4) nor (5) nor (6) above applies, any profit or loss arising from the transaction shall be included or deducted, as the case may be ; and for the purposes of this sub-paragraph, the said profit or loss shall be computed by comparing with the proceeds of sale—
- (a) in the case of an animal bred by the farmer, the cost of breeding it and rearing it to maturity, and
  - (b) in any other case, a sum equal to the initial cost to the farmer of acquiring the animal (or, in the case of an animal acquired otherwise than for valuable consideration, its market value when the farmer acquired it) together, in both cases, with any cost incurred by him in rearing it to maturity.
- (8) Where the herd is sold as a whole, and another production herd of the same class is acquired, and the number of animals in the newly acquired herd is less than the number in the original herd, then, if the difference is not substantial, sub-paragraph (6) above shall not apply, and sub-paragraph (7) above shall apply to a number of animals in the original herd equal to the difference.
- (9) The preceding provisions of this paragraph shall apply in relation to the death or destruction of animals as they apply in relation to their sale, as if any insurance or compensation moneys received by reason of the death or destruction were proceeds of sale, and any reference in this paragraph to the proceeds of sale of an animal includes a reference to any proceeds of sale of its carcase or any part thereof.

*Farming : provisions applicable to special cases*

- 4 A farmer who, having kept a production herd of a particular class, ceases altogether to keep herds of that class for a period of at least five years shall, as respects production herds kept by him after the end of that period, be treated as if he had never kept any production herds of that class before the end of that period.
- 5 (1) Where a farmer transfers to another person all or any of the animals which form part of a production herd otherwise than by way of sale, or by way of sale but for a price other than that which they would have fetched if sold in the open market, and either—

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- (a) the transferor is a body of persons over whom the transferee has control, or the transferee is a body of persons over whom the transferor has control, or both the transferor and the transferee are bodies of persons and some other person has control over both of them, or
- (b) it appears with respect to the transfer, or with respect to transactions of which the transfer is one, that the sole or main benefit, or one of the main benefits, which (apart from the provisions of this paragraph) might have been expected to accrue to the parties or any of them was a benefit resulting from the obtaining of a right to make an election for the herd basis, or from such an election having effect or ceasing to have effect, or from such an election having a greater effect or a less effect,

the like consequences shall ensue, in relation to all persons concerned, for the purpose of computing profits or gains under Case I of Schedule D as would have ensued if the animals had been sold for the price which they would have fetched if sold in the open market.

- (2) In this paragraph " body of persons " includes a partnership, and " control" has the meaning given by section 534 of this Act.
- 6 (1) Where the whole or a substantial part of a production herd kept by a farmer for the purposes of his fanning is slaughtered by the order of any Ministry, government department or local or public authority under the law relating to diseases of animals in such circumstances that compensation is payable in respect of it, an election for the herd basis thereupon made by the farmer in relation to that herd and any other production herds of the same class so kept by him shall, subject to sub-paragraph (2) below, be valid notwithstanding that it is not made within the time required by paragraph 2(3) of this Schedule.

- (2) An election for the herd basis made by virtue of sub-paragraph (1) above shall only be valid if made not later than two years after the end of the first chargeable period for which the tax chargeable on the farmer in respect of the profits or gains of his farming finally falls to be computed by reference to the facts of a period in which the compensation is relevant:

Provided that, for income tax (but not corporation tax) purposes, if that chargeable period is the second year of assessment within the meaning of section 117 of this Act (basis of assessment for second and third years after commencement), and notice is given under subsection (2) of that section, the election shall be valid if made not later than the giving of that notice.

- (3) An election for the herd basis made by virtue of sub-paragraph (1) above shall, notwithstanding paragraph 2(4) of this Schedule, have effect only for the chargeable period mentioned in sub-paragraph (2) above and subsequent chargeable periods:

Provided that, for income tax (but not corporation tax) purposes, the election shall have effect for earlier chargeable periods for the purposes of any claim under section 168 of this Act (set off of trading losses against general income) which is made by the farmer for relief in respect of his farming, if the relief falls to be computed wholly or partly by reference to the facts of a period in which the compensation is relevant.

- (4) For the purposes of this paragraph, compensation shall be deemed to be relevant in any period if, but only if, it falls (or would but for an election under this paragraph fall) to be taken into account as a trading receipt in computing the profits or gains or losses of that or an earlier period.

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*Exclusion of working animals, and interpretation of preceding provisions*

7        Nothing in this Schedule applies to any animals kept wholly or mainly for the work they do in connection with the carrying on of the farming.

8        (1) In this Schedule " herd " includes a flock, and any other collection of animals, however named.

(2) For the purposes of this Schedule, immature animals kept in a herd shall not be treated as forming part of the herd unless—

- (a) the land on which the herd is kept is such that animals which die or cease to form part of the herd cannot be replaced except by animals bred and reared on that land, and
- (b) the immature animals in question are bred in the herd, are maintained therein for the purpose of replacement, and are necessarily maintained for that purpose,

and references in this Schedule to herds shall be construed accordingly, and references therein to an animal being added to a herd include references to an immature animal which is kept in the herd becoming a mature animal:

Provided that not more immature animals shall in any case be treated as forming part of a herd than are required to prevent a fall in the numbers of the herd.

Female animals shall be treated for the purposes of this Schedule as becoming mature when they produce their first young.

(3) In this Schedule " a production herd " means, in relation to a farmer, a herd of animals of the same species (irrespective of breed) kept by him wholly or mainly for the sake of the products which they produce for him to sell, being products obtainable from the living animal.

In this sub-paragraph "product obtainable from the living animal" means—

- (a) the young of the animal, or
- (b) any other product obtainable from the animal, not being a product obtainable only by slaughtering the animal itself.

(4) For the purposes of this Schedule, production herds kept by a fanner shall be deemed to be of the same class if, and only if, all the animals kept in the herds are of the same species (irrespective of breed) and the products produced for him to sell for the sake of which (either wholly or mainly) the herds are kept by him are of the same kinds in the case of all the herds ; and elections for the herd basis shall be framed accordingly.

(5) Any reference in this Schedule to profits or gains chargeable to tax under Schedule D includes a reference to profits or gains which would be so chargeable if there were any such profits or gains for the chargeable period in question.

*Application of preceding provisions to trades other than farming, creatures other than animals, and animals and creatures kept singly*

9        (1) The preceding provisions of this Schedule shall, with the necessary adaptations, apply in relation to trades other than farming, and trades consisting only in part of farming, as they apply in relation to fanning, and references to fanners shall be construed accordingly.

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- (2) The said provisions (both in relation to farming and in relation to other trades) shall apply in relation to living creatures other than animals as they apply in relation to animals.

Laying birds shall be treated for the purposes of this Schedule as becoming mature when they first lay.

- (3) The provisions of this Schedule shall (both in relation to farming and in relation to other trades) apply, with the necessary adaptations, in relation to animals or other creatures kept singly as they apply in relation to herds.
- (4) Nothing in this Schedule shall apply in relation to any animal or other creature kept wholly or mainly for public exhibition, or for racing or other competitive purposes.

### *Supplemental*

- 10      Where an election for the herd basis is made, every person carrying on any farming or other trade affected by the election shall, if required to do so by notice from the inspector, make and deliver to the inspector, within the time specified in the notice, such returns as to, and as to the products of, the animals or other creatures kept by him for the purposes of the trade as may be required by the notice.
- 11      Where an election for the herd basis has effect for any chargeable period after an assessment for that period has become final and conclusive, any such assessment or, on a claim therefor, repayment of tax shall be made as may be necessary to give effect to the election

## SCHEDULE 7

Section 167(6).

### SCHEDULE D, CASE VII: MISCELLANEOUS RULES

#### *Discharge and assignment of contracts; options and other conditional contracts, etc.*

- 1      (1) Save as provided by paragraph 2 below, a person's acquisition or disposal of an asset by a contract in that behalf shall be disregarded for the purposes of Case VII if—
- (a) the contract is discharged by mutual consent or by operation of law, or
  - (b) default is made in carrying out the contract and, by reason of that default, there is no conveyance or transfer to implement the contract, whether by or to the person originally making the contract or another, or
  - (c) the contract is conditional and the condition is not satisfied.
- (2) Where a person disposes of an asset, and the whole or part of the consideration is irrecoverable, the amount irrecoverable shall be disregarded in so far as it is not realised by the disposal in whole or in part of the right to the consideration ; and if the consideration is abated for any error in or default under the contract, Chapter VIII of Part VI of this Act shall apply as if the abated consideration had originally been contracted for.
- (3) If, in the case of a conditional contract to acquire or dispose of an asset, the condition is satisfied (and, in particular, if in the case of a contract conferring an option the option is exercised), then, subject to sub-paragraphs (4) to (6) below, the acquisition

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or disposal of the asset by the contract shall be treated as taking place at the time when the condition is satisfied.

- (4) If the disposal of an asset by a conditional contract is made for a consideration not depending wholly or mainly on the value of the asset at the time the condition is satisfied, the contract shall in relation to the disposal be treated (on the condition being satisfied) as if it had never been conditional.
  - (5) Where a contract for the disposal of an asset is discharged by mutual consent, but is replaced by a new contract for its disposal to the same person or to another in his place, the disposal by the new contract shall be treated as if it had taken place at the time when the disposal by the previous contract is to be treated as having taken place, and, if the previous contract was a conditional contract, the condition shall for that purpose be treated as satisfied by the making of the new contract.
  - (6) Nothing in sub-paragraphs (3) to (5) above shall apply in relation to a contract entered into before 10th April 1962.
- 2
  - (1) Subject to paragraph 21 of this Schedule, a person acquiring a right under a subsisting contract to acquire or dispose of an asset shall be treated as thereby acquiring or disposing of the asset to the like extent as if he had then entered into a new contract conferring that right (his undertaking the obligations under the subsisting contract not being treated as consideration given by him for the acquisition of the right, but any consideration so given being treated, in relation to his acquisition and disposal of the asset, as an expense of acquiring or disposing of it).
  - (2) Notwithstanding anything in section 162(1) of this Act, a person disposing of the right under a subsisting contract to acquire or dispose of an asset shall not be treated as thereby disposing of the asset nor, in a case not within sub-paragraph (3) below, as having acquired or disposed of it by that contract.
  - (3) Subject to paragraph 21 of this Schedule, where a person disposes of an asset to another subject to and with the benefit of any subsisting contract for its disposal to a third person, then, if the contract is not conditional or the condition is satisfied at the time of the later disposal—
    - (a) he shall not be treated as thereby making any new disposal of the asset except to the extent to which it was not disposed of by that contract, and so much of the consideration for the later disposal as is attributable to the right to receive the consideration under that contract shall be disregarded, and
    - (b) he shall be treated as thereby completing the disposal by that contract, and that disposal shall not under paragraph 1 above be treated as affected by any subsequent discharge of or default under the contract or abatement of the consideration.
  - (4) A person's right under a contract entered into by him to acquire or dispose of an asset shall, in relation to any disposal by him of that right, be treated as having been acquired by him on the making of the contract for any consideration given by him for having that right (other than his agreement to acquire or dispose of the asset); and where a person gives any consideration to be discharged from a contract to acquire or dispose of an asset, the person to whom it is given shall be treated as disposing for that consideration of his right under the contract to dispose of or acquire the asset.
  - (5) Where a person dies after entering into a conditional contract for the acquisition or disposal of an asset (the condition not being satisfied at the time of his death), then—

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- (a) in the case of a contract to acquire the asset, nothing in this paragraph shall apply so as to treat any other person as acquiring the asset by reason of that contract on the condition being satisfied, except that sub-paragraph (1) shall apply in relation to any person acquiring from the personal representatives or legatee the right under the contract to acquire the asset, and
- (b) in the case of a contract to dispose of the asset, nothing in this paragraph or paragraph 1 above shall apply so as to treat him as disposing of the asset under the contract on the condition being satisfied.

*Gifts, settled property and bargains not at arm's length*

- 3 (1) Where a person resident and ordinarily resident in the United Kingdom either—
- (a) disposes by way of gift of an asset previously acquired by him, but does so without there being, within the meaning of Case VII, an acquisition and disposal by him, or
  - (b) disposes by way of gift of an asset acquired by him only as legatee,
- then, so far as relates to the interest taken by the donee, the donee shall be treated as if the donor's acquisition of the asset had been his acquisition of it.
- (2) Where, in a case not falling within sub-paragraph (1)(a) or (1)(b) above, a person resident and ordinarily resident in the United Kingdom disposes by way of gift of an asset acquired or to be acquired by him, and the donee is also resident and ordinarily resident in the United Kingdom, then, on an election being made in that behalf—
- (a) the donor shall not be chargeable under Case VII in respect of any acquisition and disposal by reference to that disposal, and
  - (b) the donee shall be treated as if the donor's acquisition of the asset had been his acquisition of it, but so that the amount of the consideration for which he is treated as acquiring the asset shall not by virtue of this sub-paragraph be increased.
- (3) An election under sub-paragraph (2) above shall be made by the donor and donee jointly, except that it may be made by the donee alone if the donor would not, apart from that sub-paragraph, be chargeable to tax under Case VII in respect of the gain (if any) treated as accruing to him from his acquisition and disposal of the asset.
- (4) A person shall not be chargeable under Case VII in respect of any acquisition and disposal by reference to a disposal made to any charity if the disposal is by way of gift for the purposes of the charity.
- In this sub-paragraph "charity" means any body of persons or trust established for charitable purposes only.
- 4 (1) Section 162(4) of this Act and paragraph 3 above shall apply in relation to a gift in settlement as a gift to the trustees of the settlement, and shall so apply notwithstanding that the settlor is one of the trustees, or the sole trustee, of the settlement; but if the settlor or the settlor's wife or husband has, or can by any means (whether or not requiring any consent or concurrence) obtain for the settlor or for the settlor's wife or husband any beneficial interest in the settled property or the income from it, no loss treated as accruing to the settlor by reason of the gift in settlement shall be allowable under Case VII.
- (2) Subject to sub-paragraph (3) below, where under a settlement a person becomes absolutely entitled as against the trustee to settled property (whether alone or jointly



with another), he shall be chargeable by reference to any subsequent disposal of the property by him as if its acquisition by the trustees had been his acquisition of it.

- (3) Where for a consideration in money or money's worth a person becomes absolutely entitled as against the trustee to settled property, or two or more persons jointly become so entitled, either by the exercise of a power of appointment under the settlement or by acquiring the interests of persons who were together so entitled and acted in concert in disposing of their interests to him or them, then, notwithstanding anything in section 163(4) of this Act—
- (a) the person or persons becoming so entitled shall, on disposing of the property, be chargeable under Case VII by reference to that acquisition of it, if there is an acquisition and disposal by him or them, and
  - (b) the person exercising the power, or persons disposing of their interests under the settlement, shall be chargeable under that Case by reference to that disposal of the property, as if its acquisition by the trustees had been his or their acquisition of it.
- 5 (1) Subject to sub-paragraph (4) below, where a person resident and ordinarily resident in the United Kingdom disposes otherwise than by way of bargain at arm's length (but not by way of gift) of an asset acquired or to be acquired by him so that there is an acquisition and disposal of the asset by him, and the person acquiring the asset on that disposal is also resident and ordinarily resident in the United Kingdom, then, on an election being made in that behalf, the person disposing of the asset and the person acquiring it on that disposal shall be treated as doing so for a consideration equal to whichever is the higher of—
- (a) the actual consideration, and
  - (b) such amount as will secure that neither a gain nor a loss accrues to the person disposing of the asset from his acquisition and disposal of it:
- Provided that this sub-paragraph shall not apply so as to increase the amount of the consideration for which those persons are respectively treated as disposing of and acquiring the asset.
- (2) An election under this paragraph shall be made jointly by the person disposing of the asset and the person acquiring it, except that an election may be made by the person disposing of the asset alone if the person acquiring it would not, on disposing of it, be chargeable to tax under Case VII in respect of the gain (if any) accruing to him from his acquisition and disposal of it.
- (3) In a case falling within section 162(4)(b) of this Act, the amount referred to in paragraph (b) of sub-paragraph (1) above shall be taken to be higher than the actual consideration referred to in paragraph (a) of that sub-paragraph.
- (4) This paragraph shall not apply to a disposal of assets by a company by way of distribution in respect of shares in the company.
- 6 (1) Where, in the case of a man and his wife living with him, the man disposes of an asset acquired or to be acquired by him to the wife, or the wife disposes of an asset acquired or to be acquired by her to the man, then—
- (a) the one making the disposal shall not be chargeable under Case VII in respect of an acquisition and disposal by reference to that disposal, and
  - (b) the one to whom the disposal is made shall be treated as if the other's acquisition of the asset had been his or her acquisition of it:

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Provided that this sub-paragraph shall not apply in relation to a disposal of an asset if, until the disposal, the asset formed part of the trading stock of a trade carried on by the one making the disposal, or if the asset is acquired as trading stock for the purposes of a trade carried on by the one acquiring it.

- (2) Where a person disposes of an asset to a company of which he has control, no loss accruing to him from the acquisition and disposal of the asset shall be allowable under Case VII otherwise than by deduction from any gain accruing on the disposal of assets to the company while he has control of it; and, for the purposes of this sub-paragraph, an individual shall be treated as having control of a company if the individual's wife or husband has control of it, or if they together have control of it.

#### *Appropriations to and from stock in trade*

- 7 (1) Subject to sub-paragraph (3) below, where an asset acquired by a person otherwise than as trading stock of a trade carried on by him is appropriated by him for the purposes of the trade as trading stock (whether on the commencement of the trade or otherwise) and, if he had then sold the asset for its market value, a gain or loss chargeable or allowable under Case VII would have accrued to him, he shall be treated as having thereby disposed of the asset by selling it for its then market value.
- (2) Where an asset forming part of the trading stock of a person's trade is appropriated by him for any other purpose, or is retained by him on his ceasing to carry on the trade, he shall be treated as having acquired it for a consideration equal to the amount brought into the accounts of the trade in respect of it for tax purposes on the appropriation or on his ceasing to carry on the trade, as the case may be.
- (3) Sub-paragraph (1) above shall not apply in relation to a person's appropriation of an asset for the purposes of a trade if he is chargeable to tax in respect of the profits of the trade under Case I of Schedule D and elects that, instead, the market value of the asset at the time of the appropriation shall, in computing the profits of the trade for the purposes of tax, be treated as reduced by the amount of the gain, or increased by the amount of the loss, referred to in that sub-paragraph; and where that sub-paragraph does not apply by reason of such an election, the profits of the trade shall be computed accordingly:

Provided that if a person making an election under this sub-paragraph is at the time of the appropriation carrying on the trade in partnership with others, the election shall not have effect unless concurred in by the others.

#### *Identification of shares etc. disposed of*

- 8 (1) Subject to paragraph 9 below, where a person disposes of shares, the shares disposed of shall be identified in accordance with the rules contained in this paragraph with the shares acquired by him which could be comprised in that disposal, and shall be so identified notwithstanding that they are otherwise identified by the disposal, or by a transfer or delivery giving effect to the disposal (but so that, where a person disposes of shares in one capacity, they shall not be identified with shares which he holds or can dispose of only in some other capacity).
- (2) The identification under this paragraph of the shares disposed of on any occasion shall have effect not only for determining the gain or loss accruing by reason of that disposal, but for all the purposes of Case VII, including its operation in relation to other disposals by the same person and, in a case where that person's acquisition of

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the shares is or may be relevant to the person acquiring from him, its operation in relation to the last-mentioned person.

- (3) Shares disposed of on an earlier date shall be identified before shares disposed of on a later, and the identification of the shares first disposed of shall accordingly determine the shares which could be comprised in the later disposal.
- (4) Shares disposed of for transfer or delivery on a particular date, or in a particular period—
  - (a) shall not be identified with shares acquired for transfer or delivery on a later date, or in a later period, and
  - (b) shall be identified with shares acquired for transfer or delivery on or before that date, or in or before that period, but on or after the date of the disposal, rather than with shares not so acquired.
- (5) The shares disposed of shall be identified with shares not acquired as legatee rather than with shares acquired as legatee.
- (6) The shares disposed of shall be identified—
  - (a) with shares acquired within the twelve months preceding the disposal rather than with shares not so acquired, and with shares so acquired on an earlier date rather than with shares so acquired on a later, and
  - (b) subject to paragraph (a) above, with shares acquired on a later date rather than with shares acquired on an earlier, and
  - (c) with shares acquired at different times on any one day in as nearly as may be equal proportions.
- (7) The preceding rules shall have priority according to the order in which they are stated.
- (8) Notwithstanding anything in sub-paragraphs (3) to (6) above, where, under arrangements designed to postpone the transfer or delivery of shares disposed of, a person by a single bargain acquires shares for transfer or delivery on a particular date, or in a particular period, and disposes of them for transfer or delivery on a later date, or in a later period, then—
  - (a) the shares disposed of by that bargain shall be identified with the shares thereby acquired, and
  - (b) shares previously disposed of which, but for the operation of paragraph (a) above in relation to acquisitions for transfer or delivery on the earlier date or in the earlier period, would have been identified with the shares acquired by that bargain—
    - (i) shall, subject to sub-paragraph (3) above, be identified with any available shares acquired for such transfer or delivery (that is to say, any shares so acquired other than shares to which paragraph (a) above applies, and other than shares with which shares disposed of for such transfer or delivery would be identified apart from this sub-paragraph), and
    - (ii) in so far as they cannot be so identified, shall be treated as disposed of for transfer or delivery on the later date, or in the later period, above-mentioned.
- (9) This paragraph, and paragraph 9 below, shall apply in relation to a disposal of any assets as they apply in relation to a disposal of shares, where the assets are of a nature to be dealt in without identifying the particular assets disposed of or acquired.

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- 9 (1) Where, in the case of a man and his wife living with him, one of them—
- (a) disposes of shares to his wife or her husband after 10th April 1968, and
  - (b) disposes of other shares, of the same kind as those disposed of to the wife or husband, to another person (in this paragraph called "a third party"),
- the provisions of this paragraph shall have effect as respects any shares acquired by the person making those disposals which, but for the provisions of paragraph 8 above, could have been comprised in either of those disposals.
- (2) If, but for the provisions of this sub-paragraph, shares disposed of to a third party—
- (a) would not be taxable shares, and
  - (b) but for the disposal to the wife or husband would be taxable shares,
- the identification shall be reversed so that the shares disposed of to the third party (or, if the quantity disposed of to the third party was greater than the quantity disposed of to the wife or husband, a part of them equal to the quantity disposed of to the wife or husband) shall be taxable shares.
- (3) If there is more than one disposal to the wife or husband, or more than one disposal to a third party, the provisions of this paragraph shall be applied to shares disposed of on an earlier date before being applied to shares disposed of on a later date, and the re-identification of the shares first disposed of shall accordingly determine the way in which this paragraph applies to the shares comprised in the later disposal.
- (4) In this paragraph "taxable shares" are shares the disposal of which, together with their acquisition, constitutes an acquisition and disposal within the meaning of Case VII.

*Re-acquisition of shares etc. after sale at a loss*

- 10 (1) Subject to sub-paragraph (3) below, where a loss accrues to a person from his acquisition and disposal of any shares, and he re-acquires the same shares within one month after the disposal or, in the case of a re-acquisition otherwise than through a stock exchange, within six months after it, that loss shall not be allowable under Case VII otherwise than by deduction from any gain accruing to him from an acquisition and disposal of the shares beginning with the re-acquisition.

For the purposes of this sub-paragraph, shares acquired for transfer or delivery after the date of transfer or delivery of the shares sold shall be deemed to have been acquired after the disposal of the shares sold.

- (2) Subject to sub-paragraph (3) below, where a person disposes of shares and afterwards acquires the like shares within the period referred to in sub-paragraph (1) above, he is to be treated for the purposes of this paragraph as re-acquiring the shares disposed of (or, if the quantity disposed of was greater than the quantity acquired, a part of them equal to the quantity acquired), but so that—
- (a) there cannot be in relation to the same disposal more than one re-acquisition of the same share, nor be by the same acquisition of a share a re-acquisition in relation to more than one disposal, and
  - (b) an acquisition of shares shall, where there has been more than one relevant disposal, be treated as a re-acquisition of shares disposed of on an earlier date rather than of shares disposed of on a later, and as a re-acquisition of shares disposed of at different times on the same date in as nearly as may be equal proportions, and

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- (c) where there is more than one acquisition of shares relevant to a previous disposal, shares acquired on an earlier date shall be treated in relation to that disposal as the shares re-acquired rather than shares acquired on a later date, and, as between shares acquired on any one date, those subsequently disposed of on an earlier date shall be so treated rather than those subsequently disposed of on a later date, and those subsequently disposed of on any one day shall be so treated in as nearly as may be equal proportions, and
  - (d) where a person disposes of shares in one capacity, shares which he acquires in some other capacity shall be disregarded.
- (3) Where a person acquires shares and, under paragraph 8 above, shares previously disposed of by him are identified with those shares, then—
  - (a) this paragraph shall not apply in relation to any loss accruing from that acquisition and disposal, and
  - (b) that acquisition shall not be treated for the purposes of this paragraph as a re-acquisition of any shares.
- (4) Where, under paragraph 8(8) above, shares disposed of are identified with shares acquired by the same bargain, sub-paragraph (3) of this paragraph shall apply as if the disposal had preceded the acquisition.
- (5) Where—
  - (a) under arrangements designed to postpone the acceptance of shares acquired, a person by a single bargain disposes of shares for transfer or delivery on a particular date, or in a particular period, and acquires them for transfer or delivery on a later date, or in a later period, and
  - (b) under paragraph 8 above—
    - (i) the shares disposed of by that bargain are identified with shares previously acquired for transfer or delivery on the earlier date, or in the earlier period, and
    - (ii) shares disposed of afterwards, but within six months of the date of that bargain, are identified with the shares acquired by that bargain,then, subject to sub-paragraph (6) below, sub-paragraph (3) of this paragraph shall apply as if the disposal by that bargain had preceded the acquisition of the shares so identified with those disposed of.
- (6) Where an acquisition of shares is more than once continued by such a bargain as is referred to in paragraph (a) of sub-paragraph (5) above, that sub-paragraph shall apply in relation to each bargain continuing the acquisition, but so that, in relation to each such bargain, paragraph (b)(ii) of that sub-paragraph shall have effect as if the references to the date of the bargain and the shares thereby acquired were references to the date of the last of the bargains and the shares thereby acquired; and, for the purposes of this sub-paragraph, an acquisition continued by one bargain shall be treated as further continued by a later bargain in so far as the shares disposed of by the later bargain are identified under paragraph 8 above with the shares acquired by the earlier.
- (7) This paragraph, and paragraph 11 below, shall apply in relation to acquisitions or disposals of any assets as they apply in relation to acquisitions or disposals of shares, where the assets are of a nature to be dealt in without identifying the particular assets disposed of or acquired.

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- 11 (1) Where, in the case of a man and his wife living with him, a loss accrues to one of them from his or her acquisition and disposal of any shares, and the other of them is to be treated in accordance with this paragraph as acquiring the same shares within the prescribed period after the disposal, that loss shall be allowable under Case VII by deduction from any gain accruing to the other (that is to say, the wife or husband of the person to whom the loss accrued) from an acquisition and disposal of the shares beginning with that acquisition by the other, but shall not be so allowable by deduction from any other gain accruing to either of them.
- (2) Shares disposed of by the husband or wife shall not for the purposes of this paragraph be treated as the same as shares acquired by the other if, for the purposes of paragraph 10 above—
- (a) the person disposing of the shares is to be treated as having re-acquired the same shares, or
  - (b) the person acquiring the shares is to be treated as thereby re-acquiring shares disposed of,
- or if the person acquiring the shares acquires them from her husband or his wife.
- (3) Subject to sub-paragraph (2) above, where the husband or wife disposes of shares and the other afterwards acquires the like shares within the prescribed period from the disposal, the other is to be treated for the purposes of this paragraph as acquiring the same shares as those disposed of (or, if the quantity disposed of was greater than the quantity acquired, a part equal to the quantity acquired) and, so far as necessary, the rules in paragraphs (a) to (d) of paragraph 10(2) above shall apply for the purpose of determining which are the same shares, as if the husband and wife were one person, and disregarding all shares excluded by sub-paragraph (2) above.
- (4) For the purposes of this paragraph, shares acquired by the wife or husband for transfer or delivery after the date of transfer or delivery of the shares sold by the other shall be deemed to have been acquired after the disposal of the shares sold.
- (5) Where the husband or wife acquires shares and, under paragraph 8 above, shares previously disposed of by him or her are identified with those shares, then—
- (a) this paragraph shall not apply in relation to any loss accruing from that acquisition and disposal, and
  - (b) that acquisition shall not be treated for the purposes of this paragraph as an acquisition of the same shares as any shares disposed of by the other,
- and sub-paragraphs (4) to (6) of paragraph 10 above shall apply as if references in those sub-paragraphs to sub-paragraph (3) of the said paragraph 10 included references to this sub-paragraph.
- (6) In this paragraph " the prescribed period " means—
- (a) in the case of an acquisition of shares through a stock exchange, one month, and
  - (b) in the case of an acquisition of shares otherwise than through a stock exchange, or in the case of an acquisition of some other kind of asset, six months.

*Reorganisation or reduction of share capital*

- 12 (1) This paragraph shall apply in relation to any reorganisation or reduction of a company's share capital; and for the purposes of this paragraph—
- (a) references to a reorganisation of a company's share capital include—

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- (i) any case where persons are, whether for payment or not, allotted shares in or debentures of the company in respect of and in proportion to (or as nearly as may be in proportion to) (a) their holdings of shares in the company or of any class of shares in the company, and
    - (ii) any case where there are more than one class of share and the rights attached to shares of any class are altered, and
  - (b) " original shares " means shares held before and concerned in the reorganisation or reduction of capital, and " new holding " means, in relation to any original shares, the shares in and debentures of the company which, as a result of the reorganisation or reduction of capital, represent the original shares (including such, if any, of the original shares as remain).
- (2) Subject to the following sub-paragraphs, a reorganisation or reduction of a company's share capital shall not be treated as involving any disposal of the original shares, or any acquisition of the new holding or any part of it, but the original shares and the new holding shall be treated as the same asset acquired as the original shares were acquired.
- (3) Where, on a reorganisation or reduction of a company's share capital, a person gives or becomes liable to give any consideration for his new holding or any part of it, that consideration shall, in relation to any disposal of the new holding or any part of it, be treated as having been given for the original shares, and, if the new holding or part of it is disposed of with a liability attaching to it in respect of that consideration, the consideration given for the disposal shall be adjusted accordingly:

Provided that there shall not be treated as consideration given for the new holding or any part of it any surrender, cancellation or other alteration of the original shares or of the rights attached thereto, or any consideration consisting of any application in paying up the new holding or any part of it of assets of the company or of any dividend or other distribution declared out of those assets but not made.

Notwithstanding the above proviso, in applying this sub-paragraph in relation to the issue of share capital to which subsection (1) of section 236 of this Act (stock dividend options) applies (as involving a reorganisation of the company's share capital) there shall be allowed, as consideration given for the new holding which includes that share capital, the sum referred to in that subsection less income tax at the standard rate.

- (4) Where, on a reorganisation or reduction of a company's share capital, a person receives or becomes entitled to receive in respect of his original shares any capital distribution from the company not forming part of the new holding, he shall be treated as if the new holding resulted from his having, in consideration of that distribution, disposed of an interest in the original shares of a market value equal to that of the distribution (but without prejudice to the original shares and the new holding being treated in accordance with sub-paragraph (2) above as the same asset).

References in this sub-paragraph to any capital distribution from the company include references to any consideration given by any person other than the company in respect of the original shares.

- (5) Subject to paragraph 13 below, where, for the purpose of computing the gain or loss accruing to a person from the acquisition and disposal of any part of the new holding, it is necessary to apportion the cost of acquisition of any of the original shares between what is disposed of and what is retained, the apportionment shall be

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made by reference to market value at the date of the disposal (with such adjustment of the market value of any part of the new holding as may be required to offset any liability attaching thereto but forming part of the cost to be apportioned); and any corresponding apportionment for the purposes of sub-paragraph (4) above shall be made in like manner.

- (6) Where, on a reorganisation of a company's share capital, a person receives, or becomes entitled to receive, in respect of any shares a provisional allotment of shares in or debentures of the company, then, unless he neither accepts the allotment nor disposes of his rights before or after the making of the allotment, those rights shall be treated in relation to him and any person acquiring them directly or indirectly from him as if they were the shares or debentures to which they relate, and as if the consideration to be given for the shares or debentures were a liability attaching to the rights.
  - (7) References in this paragraph to a reduction of share capital do not include the paying off of redeemable share capital, and where shares in a company are redeemed by a company otherwise than by the issue of shares or debentures (with or without other consideration) and otherwise than in a liquidation, the shareholder shall be treated as disposing of the shares at the time of the redemption.
- 13 (1) This paragraph applies to a new holding, as defined in paragraph 12(1)(b) above—
- (a) if it consists of more than one class of shares in or debentures of the company, and one or more of those classes is of shares or debentures which, at any time not later than the end of the period of three months beginning with the date on which the reorganisation or reduction of capital took effect, or of such longer period as the Board may by notice in writing allow, had quoted market values on a recognised stock exchange in the United Kingdom or elsewhere, or
  - (b) (in a case where the operation of that paragraph is extended by section 167(3) of this Act) if it consists of more than one class of rights of unit holders, and one or more of those classes is of rights the prices of which were published daily by the managers of the scheme at any time not later than the end of that period of three months (or longer if so allowed).
- (2) Where, for the purpose of computing the gain or loss accruing to a person from the acquisition and disposal of the whole or any part of any class of shares or securities or rights of unit holders forming part of a new holding to which this paragraph applies, it is necessary to apportion costs of acquisition between what is disposed of and what is retained, the cost of acquisition of the new holding shall first be apportioned between the entire classes of shares or debentures or rights of which it consists by reference to market value on the first day (whether that day fell before the reorganisation or reduction of capital took effect or later) on which market values or prices were quoted or published for the shares, debentures or rights as mentioned in sub-paragraph (1)(a) or (1)(b) above (with such adjustment of the market value of any class as may be required to offset any liability attaching thereto but forming part of the cost to be apportioned); and this sub-paragraph shall have effect notwithstanding sub-paragraph (5) of the said paragraph 12.
- (3) Sub-paragraphs (1) and (2) above shall have effect as if contained in the said paragraph 12.
- (4) For the purposes of this paragraph, the day on which a reorganisation of share capital involving the allotment of shares or debentures or unit holders' rights takes effect is the day following the day on which the right to renounce any allotment expires.



*Conversion of securities*

- 14 (1) Subject to sub-paragraph (2) below, paragraphs 12 and 13 of this Schedule shall apply with any necessary adaptations in relation to the conversion of securities as they apply in relation to the reorganisation or reduction of a company's share capital.
- (2) Where securities are converted on an exchange effected under any arrangement which is being carried out under section 2 of the National Loans Act 1939, or section 14 of the National Loans Act 1968, and any additional consideration is given to the holder of the securities, paragraph 12(4) above shall not apply to the additional consideration, but it shall, in relation to any disposal of the new holding or any part of it, be treated as reducing the consideration given for the original securities.
- (3) For the purposes of this paragraph—
- (a) " conversion of securities " includes—
- (i) a conversion of securities of a company into shares in the company, and
- (ii) a conversion at the option of the holder of the securities converted as an alternative to the redemption of those securities for cash, and
- (iii) any exchange of securities effected in pursuance of the Iron and Steel Act 1967, or any other enactment (whenever passed) which provides for the compulsory acquisition of any shares or securities and the issue of securities or other securities instead, and
- (b) " security" includes any loan stock or similar security, whether of the Government of the United Kingdom or of any other government, or of any public or local authority in the United Kingdom or elsewhere, or of any company, and whether secured or unsecured.

*Company amalgamations*

- 15 (1) Subject to sub-paragraph (2) below, where a company issues shares or debentures to a person in exchange for shares in or debentures of another company, paragraphs 12 and 13 of this Schedule shall apply with any necessary adaptations as if the two companies were the same company and the exchange were a reorganisation of its share capital.
- (2) This paragraph shall apply only where the company issuing the shares or debentures has, or in consequence of the exchange will have, control of the other company, or where the first-mentioned company issues the shares or debentures in exchange for shares as the result of a general offer made to members of the other company or any class of them (with or without exceptions for persons who are, within the terms of section 533 of this Act, connected with the first-mentioned company), the offer being made in the first instance on a condition such that if it were satisfied the first-mentioned company would have control of the other company.
- 16 (1) Where under any arrangement between a company and the persons holding shares in or debentures of the company, or any class of such shares or debentures, being an arrangement entered into for the purposes of or in connection with a scheme of reconstruction or amalgamation—
- (a) another company issues shares or debentures to those persons in respect of and in proportion to (or as nearly as may be in proportion to) their holdings of the first-mentioned shares or debentures, but
- (b) the first-mentioned shares or debentures are either retained by those persons or cancelled,

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then those persons shall be treated as exchanging the first-mentioned shares or debentures for those held by them in consequence of the arrangement (any shares or debentures retained being for this purpose regarded as if they had been cancelled and replaced by a new issue):

Provided that paragraph 15(2) above shall not apply.

- (2) Sub-paragraph (1) above shall apply in relation to a company which has no share capital as if references to shares in or debentures of a company included references to any interests in the company possessed by members of the company, and paragraphs 12 and 15 of this Schedule shall apply accordingly.
- (3) Where any scheme of reconstruction or amalgamation involves the transfer of the whole or part of a company's business to another company, and the first-mentioned company receives no part of the consideration for the transfer (otherwise than by the other company taking over the whole or part of the liabilities of the business), then the first-mentioned company shall not be chargeable under Case VII by reference to the transfer in respect of its acquisition and disposal of any assets included in the transfer.
- (4) In this paragraph " scheme of reconstruction or amalgamation " means a scheme for the reconstruction of any company or companies, or for the amalgamation of any two or more companies, and references to shares or debentures being retained include then-being retained with altered rights, or in an altered form, whether as the result of reduction, consolidation, division or otherwise.

#### *Debts*

- 17 (1) Subject to paragraph 18 below, where a person incurs a debt to another, the creditor shall not be treated as thereby acquiring the debt, except in the case of the debt on a security as defined in paragraph 14 of this Schedule.
- (2) In the case of the debt on a security as defined in paragraph 14 of this Schedule, or of a debt acquired by the creditor from a previous creditor, the satisfaction of the debt or part of it shall, subject to paragraphs 14 and 15 of this Schedule, be treated as a disposal of the debt or of that part by the creditor made at the time when the debt or that part is satisfied.
- (3) Where property is acquired by a creditor in satisfaction of his debt or part of it, then, subject to the said paragraphs 14 and 15, the property shall not be treated as disposed of by the debtor or acquired by the creditor for a consideration greater than its market value at the time of the creditor's acquisition of it; but if (in a case not falling within either of those paragraphs) the satisfaction of the debt or that part of it is not to be treated as a disposal of it by the creditor, and he becomes chargeable under Case VII in respect of gains accruing from his acquisition and disposal of the property, the amount on which tax is chargeable shall (where necessary) be reduced so as not to exceed the amount on which tax would have been chargeable if he had acquired the property for a consideration equal to the amount of the debt or that part of it.
- 18 (1) Subject to sub-paragraph (2) below, paragraph 17(1) above shall not apply to a debt owed by a bank which is not in sterling and which is represented by a sum standing to the credit of a person in an account in the bank, and accordingly the satisfaction of the debt or part of it shall be treated as a disposal of the debt or of that part by the creditor (that is, the bank's customer) made at the time when the debt or that part is satisfied.

- (2) Sub-paragraph (1) above shall not apply to a sum in an individual's bank account representing currency acquired by the holder for the personal expenditure outside the United Kingdom of himself or his family or dependants (including expenditure on the provision or maintenance of any residence outside the United Kingdom).

*Disposals of land to authorities with compulsory powers*

- 19 (1) A person shall not be chargeable under Case VII in respect of an acquisition and disposal of land by reference to a disposal to an authority exercising or having compulsory powers if that person had neither—
- (a) acquired the land at a time when he knew, or might reasonably have known, that it was likely to be acquired by the authority, nor
  - (b) taken any steps by advertisement or otherwise to dispose of the land, or to make his willingness to dispose of it known to the authority or others.
- (2) In this paragraph " authority exercising or having compulsory powers " means, in relation to any disposal of land, a person or body of persons acquiring the land compulsorily, or who has or have been or could be authorised to acquire it compulsorily for the purposes for which it is acquired, or for whom another person or body of persons has or have been or could be authorised so to acquire it.

*Additional provisions as to computation of gains*

- 20 (1) Where a single bargain comprises two or more transactions whereby assets are disposed of, those transactions shall be treated for the purposes of section 164 of this Act as a single disposal; and where separate considerations are agreed, or purport to be agreed, for any two or more transactions comprised in one bargain (whether transactions whereby assets are disposed of or not), those considerations shall be treated as together constituting an entire consideration for the transactions, and shall be apportion-able between them accordingly.
- (2) Where an individual and the wife or husband of that individual, or a body of persons and a person having control of it, or two bodies of persons under common control, enter into associated transactions, sub-paragraph (1) above shall apply as if the transactions were comprised in a single bargain (" body of persons " for this purpose including a partnership):

Provided that this sub-paragraph shall not apply so as to treat considerations given or received by different persons as an entire consideration unless they are given to or received from a single person or persons in relation to whom they can by virtue of this sub-paragraph be treated as an entire consideration.

- (3) In the case of an acquisition and disposal of land, no deduction shall be made in respect of maintenance expenditure incurred by any person—
- (a) in computing the gain accruing to that person from the acquisition and disposal for the purposes of paragraph 7(3) of this Schedule, or
  - (b) in computing for any purpose of this Schedule the amount which would secure that neither a gain nor a loss accrued to that person on his disposal of the land ;

and maintenance expenditure incurred by the person chargeable which falls to be taken into account for other purposes of Case VII shall not be taken into account in computing his profits or gains for the purposes of Schedule A, but, where it has been taken into account in computing those profits or gains, any necessary adjustment of

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*Status: This is the original version (as it was originally enacted).*

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that person's liability to tax may be made by means of an assessment or otherwise, and, for that purpose, the amount of any tax repaid by reason of its having been taken into account may be charged on him under Case VI of Schedule D and recovered accordingly.

In this sub-paragraph, references to maintenance expenditure incurred by any person are references to any payments made by him which are deductible in computing his profits or gains for the purposes of Schedule A.

- (4) Paragraph 11(1) of Schedule 19 to the Finance Act 1969 (capital gains tax: compensation paid on compulsory acquisition) shall apply with respect to the apportionments to be made under section 164(4) of this Act as it applies to apportionments to be made for the purposes of Schedule 6 to the Finance Act 1965.
- (5) Where, in the case of any asset, the person chargeable receives or is entitled to claim any capital allowances with reference to expenditure relating to the asset, the amount of the allowances shall be treated for the purpose of computing the gain as a trading receipt of the adventure in so far as it exceeds the amount or aggregate amount on which any balancing charges fall to be made on him in respect of the allowances (subject, however, to a just apportionment where the adventure does not relate to the whole of his interest in the asset).

In this sub-paragraph "capital allowance" does not include an allowance under Part II of the Capital Allowance Act 1968, or an investment allowance.

*Treatment of one person's acquisition as another's*

- 21 (1) Where under this Schedule a person acquiring an asset is to be treated as if another's acquisition of it had been his acquisition, that person shall be treated as having acquired the asset at the time when the other acquired it and for a consideration of such amount as would secure that, on the other's disposal to that person, neither a gain nor a loss would accrue to the other (that amount being calculated as it would be for the purpose of a charge under Case VII then falling on the other by reference to that acquisition); and where there have been more than one acquisition by the other of different interests in the asset, this provision shall apply in relation to each such acquisition:

Provided that—

- (a) a person shall be treated as if another's acquisition of an asset had been his acquisition of it only if and in so far as the interest taken by that person would be treated for the purpose of such a charge as aforesaid as deriving from that acquisition, and
  - (b) that person shall be treated as acquiring the asset as legatee, and not for any consideration, in so far as the said interest would be so treated as deriving from an acquisition by the other as legatee.
- (2) Where a person acquires an asset subject to and with the benefit of any subsisting contract for its disposal to a third person and is under this Schedule to be treated as if another's acquisition of it had been his acquisition, sub-paragraphs (1) and (3) of paragraph 2 of this Schedule shall not apply in relation to the acquisition by or disposal to him of the asset (he being treated as if the other's acquisition of the right had been his acquisition).

*Supplementary*

- 22 (1) Where any sum falls to be apportioned for the purposes of Case VII and, at the time of the apportionment, it appears that it is material as respects the liability to tax 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 on 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,
  - (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:
- 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 paragraph applies in relation to any determination of market value for the purposes of Case VII as it applies in relation to apportionments.
- 23 (1) An election under this Schedule shall be made by notice in writing, signed by the person or persons making the election and the persons (if any) whose concurrence is required, and delivered to the inspector within the relevant period.
- (2) A notice so delivered with respect to property disposed of by way of gift shall be of no effect unless within the relevant period there is also delivered to the inspector a statement signed by the donor and giving such particulars as are necessary to establish the time at which, and the consideration for which, the donee is to be treated as having acquired the property, in so far as those particulars may be material in relation to any acquisition and disposal by the donee.
- (3) Any election which a person may make or concur in under this Schedule may be made or concurred in instead by his personal representatives if he has died, or by any person assessable on his behalf, and similarly with a statement required by subparagraph (2) above.
- (4) For the purposes of this paragraph, the relevant period—
- (a) in the case of a gift, is the period ending with the year of assessment following that in which the gift is made or, where an election may be made by the donee alone, the period ending with the year of assessment following that in which he first disposes of the property comprised in the gift or any part of it, and
  - (b) in the case of an election under paragraph 7 of this Schedule, is the period ending with the year of assessment following that in which is made the appropriation of the asset for the purposes of the trade;
- and in this paragraph, references to a gift include any disposal otherwise than by way of bargain at arm's length, and references to the donor and the donee shall be construed accordingly.

## SCHEDULE 8

Section 188.

### SCHEDULE E: RELIEF AS RESPECTS TAX ON PAYMENTS ON RETIREMENT OR REMOVAL FROM OFFICE OR EMPLOYMENT

#### *Preliminary*

- 1 Relief shall be allowed in accordance with the following provisions of this Schedule in respect of tax chargeable by virtue of section 187 of this Act, where a claim is made under section 188(4) of this Act.
- 2 A person shall not be entitled to relief under this Schedule in so far as such relief, together with any relief allowed under Chapter II of Part I of this Act (personal reliefs), would reduce the amount of income on which he is chargeable at the standard rate below the amount income tax on which he is entitled to charge against any other person, or to deduct, retain or satisfy out of any payment which he is liable to make to any other person.

#### *Relief by reduction of sums chargeable*

- 3 In computing the charge to tax in respect of a payment chargeable to tax under section 187 of this Act, not being a payment of compensation for loss of office, there shall be deducted from the payment a sum equal to the amount (if any) by which the standard capital superannuation benefit for the office or employment in respect of which the payment is made exceeds £5,000.
- 4 In this Schedule " the standard capital superannuation benefit", in relation to an office or employment, means a sum arrived at as follows, that is to say—
  - (a) there shall be ascertained the average for one year of the holder's emoluments from the office or employment for the last three years of his service before the relevant date (or for the whole period of his service if less than three years);
  - (b) one-twentieth of the amount ascertained at (a) shall be multiplied by the whole number of complete years of the service of the holder in the office or employment; and
  - (c) there shall be deducted from the product at (b) a sum equal to the amount, or, as the case may be, to the value at the relevant date, of any lump sum (not chargeable to tax) received or receivable by the holder in respect of the office or employment in pursuance of any such scheme or fund as is described in subsections (1) and (2) of section 221 of this Act:

Provided that no account shall be taken for the purposes of this paragraph of the service of any person as an officer or employee of a body corporate at any time while he was a controlling director (as defined in section 224(1) of this Act) of that body.

- 5 Where tax is chargeable under section 187 of this Act in respect of two or more payments to which paragraph 3 above applies, being payments made to or in respect of the same person in respect of the same office or employment or in respect of different offices or employments held under the same employer or under associated employers, then—
  - (a) the said paragraph 3 shall apply as if those payments were a single payment of an amount equal to their aggregate amount and, where they are made in respect of different offices or employments, as if the standard capital

superannuation benefit were an amount equal to the sum of the standard capital superannuation benefits for those offices or employments, and

- (b) where the payments are treated as income of different chargeable periods, the relief to be granted under that paragraph in respect of a payment chargeable for any such period shall be the amount by which the relief computed in accordance with the preceding provision in respect of that payment and any payments chargeable for previous chargeable periods exceeds the relief in respect of the last-mentioned payments,

and where the standard capital superannuation benefit for an office or employment in respect of which two or more of the payments are made is not the same in relation to each of those payments, it shall be treated for the purposes of this paragraph as equal to the higher or highest of those benefits.

- 6 In computing the charge to tax in respect of a payment chargeable to tax under section 187 of this Act, being a payment made in respect of an office or employment in which the service of the holder includes foreign service and not being a payment of compensation for loss of office, there shall be deducted from the payment (in addition to any deduction allowed under the preceding provisions of this Schedule) a sum which bears to the amount which would be chargeable to tax apart from this paragraph the same proportion as the length of the foreign service bears to the length of the service before the relevant date.

#### *Relief by reduction of tax*

- 7 In the case of any payment in respect of which tax is chargeable under section 187 of this Act, the following relief shall be allowed by way of deduction from the tax chargeable by virtue of that section, that is to say, there shall be ascertained—

- (a) the amount of tax which would be chargeable apart from this paragraph in respect of the income of the holder or past holder of the office or employment for the chargeable period of which the payment is treated as income,
- (b) the amount of tax which would be so chargeable if the payment had not been made, and
- (c) the difference between the respective amounts of tax which would be so chargeable on the assumptions—
  - (i) that the appropriate fraction only of the payment (after deducting any relief applicable thereto under the preceding provisions of this Schedule) had been made, and
  - (ii) that no part of the payment had been made,
 and disregarding, in each case, any other emoluments of the office or employment,

and the amount to be deducted shall be the difference between the amount ascertained at (a) and the sum of the amount ascertained at (b) and the appropriate multiple of the difference ascertained at (c).

- 8 (1) Where the income of the holder or past holder of the office or employment for the chargeable period of which the payment is treated as income includes income, income tax on which he is entitled to charge against any other person, or to deduct, retain or satisfy out of any payment which he is liable to make to any other person, the amounts referred to in sub-paragraphs (a) to (c) of paragraph 7 above shall be calculated as if that tax were not chargeable in respect of that income.

- (2) Where for any year of assessment an individual claims relief under paragraph 7 above, and also under section 400 of this Act (gains arising in connection with life policies etc.) or Schedule 3 thereto (premiums etc. taxable under sections 80 to 82), or under both that section and that Schedule, then, in computing the relief under paragraph 7 above, his income shall be deemed to include—
- (a) in respect of any amount which would otherwise be included therein by virtue of section 399(1)(a) of this Act, no greater amount than the appropriate fraction thereof within the meaning of the said section 400, and
  - (b) in respect of any chargeable sum within the meaning of the said Schedule 3 (including two or more sums treated for the purposes of paragraph 3 of that Schedule as one chargeable sum), no greater amount than the balance (if any) of the yearly equivalent thereof remaining after the making of any deduction required by the said paragraph 3.
- 9 In this Schedule " the appropriate fraction " (except in paragraph 8(2)(a) above) and " the appropriate multiple ", in relation to any payment, mean respectively—
- (a) where the payment is not a payment of compensation for loss of office, one-sixth and six, and
  - (b) where the payment is a payment of compensation for loss of office, one divided by the relevant number of years of unexpired service, and that number of years,
- and for the purposes of this paragraph " the relevant number of years of unexpired service " means the number of complete years taken into account in calculating the amount of the payment, being years for which the holder of the office or employment would have been entitled (otherwise than by virtue of arrangements made in contemplation of his retirement or removal or of any relevant change in the functions or emoluments of the office or employment) to retain the office or employment or its full emoluments, and where the period taken into account as aforesaid is less than one complete year or exceeds an exact number of years, it shall be treated for the purposes of this paragraph as one complete year or as the next higher number of complete years, as the case may be.
- 10 Where tax is chargeable under section 187 of this Act in respect of two or more payments to or in respect of the same person in respect of the same office or employment and is so chargeable for the same chargeable period, those payments shall be treated for the purposes of paragraph 7 above as a single payment of an amount equal to their aggregate amount:
- Provided that, where the appropriate fraction and the appropriate multiple are not the same for each of the payments, the calculations of relief under the said paragraph 7 shall be made separately in relation to each payment or payments having a different appropriate fraction and multiple, and in any such calculation—
- (a) any payment for which the appropriate multiple is lower shall be left out of account for all the purposes of the said paragraph 7, and
  - (b) in ascertaining the difference at (c) of that paragraph it shall be assumed that the appropriate fraction only of any payment for which the appropriate multiple is higher had been made,
- and the relief to be allowed shall be the sum of the reliefs so calculated in respect of the payments respectively.
- 11 Where tax is chargeable under section 187 of this Act in respect of two or more payments to or in respect of the same person in respect of different offices or



employments, and is so chargeable for the same chargeable period, paragraphs 7 to 10 above shall apply as if those payments were made in respect of the same office or employment and as if any emoluments of any of those offices or employments were emoluments of the same office or employment.

*Supplemental*

- 12 Any reference in the preceding provisions of this Schedule to a payment in respect of which tax is chargeable under section 187 of this Act is a reference to so much of that payment as is chargeable to tax after deduction of the relief applicable thereto under section 188(3) of this Act.
- 13 In this Schedule—  
    " payment of compensation for loss of office " means a payment made—  
    (a) in pursuance of an order of a court in proceedings for wrongful dismissal or otherwise for breach of a contract of employment, or by way of settlement of such proceedings or of a claim in respect of which such proceedings could have been brought, or  
    (b) by way of compensation for the extinguishment of any right the infringement of which would be actionable in such proceedings,  
and any question whether, and to what extent, a payment is or is not a payment of compensation for loss of office shall be determined according to all the circumstances and not (or not exclusively) by reference to the terms on which it is expressed to be made.
- 14 Any reference in this Schedule to the emoluments of an office or employment is a reference to those emoluments exclusive of any payment chargeable to tax under section 187 of this Act; and in calculating for any purpose of this Schedule the amount of such emoluments—  
    (a) there shall be included any balancing charge to which the holder of the office or employment is liable under section 33 of the Capital Allowances Act 1968, and  
    (b) there shall be deducted any allowances under Chapter II of Part I of that Act, and any allowances for expenses under section 189 or 192 of this Act, to which he is entitled,  
and any such charges or allowances as aforesaid for a chargeable period shall, for the purpose of ascertaining the amount of the emoluments for any year of service, be treated as accruing from day to day, and shall be apportioned in respect of time accordingly.
- 15 In this Schedule "the relevant date" means, in relation to a payment not being a payment in commutation of annual or other periodical payments, the date of the termination or change in respect of which it is made and, in relation to a payment in commutation of annual or other periodical payments, the date of the termination or change in respect of which those payments would have been made.
- 16 In this Schedule "foreign service", in relation to an office or employment, means service such that tax was not chargeable in respect of the emoluments of the office or employment—  
    (a) in the case of the year 1956-57 or any subsequent chargeable period, under Case I of Schedule E,  
    (b) in the case of any preceding year of assessment, under Schedule E.

- 17 Any reference in this Schedule to the amount of tax to which a person is or would be chargeable is a reference to the amount of tax to which he is or would be chargeable either by assessment or by deduction.

## SCHEDULE 9

Sections 232(2), 240(6), 256(4).

### INCOME TAX PAYABLE BY COMPANIES ON DISTRIBUTIONS, ETC

#### *Liability of company for income tax on distributions and other payments made by it*

- 1 (1) Any income tax for which a company resident in the United Kingdom is liable to account in respect of distributions made by it in any year of assessment, or in respect of any payments made by it in any year other than distributions, shall in accordance with paragraph 2 below be accounted for and paid during or on the expiration of the year, subject to such set off as is available to the company under paragraph 3 below against income tax on franked investment income or on payments received subject to deduction of tax other than franked investment income.
- (2) If it appears after the end of any year of assessment either—(a) that in respect of distributions made by the company in the year the company is liable to account for income tax to an amount greater than the income tax (if any) borne by it on franked investment income received in the year and on any surplus of franked investment income carried forward to the year; or
  - (b) that in respect of payments made by the company in the year other than distributions the company is liable to account for income tax to an amount greater than the income tax (if any) borne by it by deduction on payments received in the year other than franked investment income ;
 and the amount paid by and not repaid to the company in respect of the year in accordance with sub-paragraph (1) above is less than the amount of the excess referred to in paragraph (a) or (b) of this sub-paragraph, the company shall be liable to pay the difference between the two last-mentioned amounts.
- (3) The amount which a company is liable to pay for any year of assessment under sub-paragraph (2) above, if or in so far as it is not agreed between the company and the inspector, shall be recovered by means of an assessment made on the company.
- (4) Where the amount of any tax payable in accordance with sub-paragraph (2) above is agreed between the company and the inspector—
  - (a) it shall be due within fourteen days after it is so agreed,
  - (b) the making of an assessment charging that tax, or an appeal against the assessment, shall not affect the date given by paragraph (a) above,
  - (c) the power of making an assessment under sub-paragraph (3) above shall include power to make an assessment of the tax on that company if that tax, or any part of it, is not paid within the said fourteen days (whether or not it has been paid when the assessment is made).
- (5) Nothing in this Schedule shall apply to income tax for which a company is liable to account under section 204 (pay as you earn) of this Act.

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*Status: This is the original version (as it was originally enacted).*

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*Payments made in course of year*

- 2 (1) A company shall from time to time make to the collector returns of all distributions and payments made by it to which paragraph 1 above applies, and shall in any such return specify any amount of dividends included therein which has been paid under deduction of tax notwithstanding that an election under section 256(1) of this Act was in force in relation thereto.

- (2) A return under this paragraph of distributions and payments made in any month shall be made within fourteen days from the end of the month; and any claim under paragraph 3 below shall be made at the like times.

In this sub-paragraph "month" means a month of a year of assessment, that is to say, a month beginning with the sixth day of a month of the calendar year.

- (3) Subject to sub-paragraph (7) below, income tax in respect of any payment required to be included in a return under this paragraph shall be due at the time by which the return is to be made, and income tax so due shall be payable by the company without the making of any assessment.
- (4) Income tax which has become due in accordance with sub-paragraph (3) above may be assessed on the company (whether or not it has been paid when the assessment is made) if that tax, or any part of it, is not paid on or before the due date.
- (5) Income tax in respect of distributions included in a return, not being payments, shall be assessed on the company; and if it appears to the inspector that there are distributions (of whatever description), or payments to which paragraph 1 above applies which are not distributions, which ought to have been and have not been included in a return, or if the inspector is dissatisfied with any return, he may make an assessment on the company to the best of his judgment.
- (6) Any tax assessable under any one or more of the provisions of this paragraph may be included in one assessment if the tax so included is all due on the same date.
- (7) Where a company is liable to pay income tax in respect of any payment if, but only if, it amounts to or involves a distribution, and it is not in the circumstances apparent whether or how far it does so, then—
- (a) particulars of the payment shall be included in the return under this paragraph ; but
  - (b) sub-paragraph (3) above shall not apply to the payment and income tax in respect of it shall be assessed as in the case of distributions other than payments.

*Set-off of income tax borne on company income against tax payable*

- 3 (1) Where in any year of assessment a company resident in the United Kingdom receives franked investment income, or receives any payment on which it bears income tax by deduction, the company may make a claim to have the income tax thereon brought into account under this paragraph.
- (2) If on the making of any such claim it is shown by the required evidence that income tax has been or will be paid in respect of any franked investment income or payment included in the claim, that tax shall be set against any income tax which the company has paid or is liable to pay in respect of distributions or other payments included in returns made under paragraph 2 above for the same year of assessment, and (where

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necessary) income tax paid by the company before the claim is allowed shall be repaid accordingly.

- (3) Where, on a claim made under this paragraph for any year of assessment, account would be taken of distributions made by the company in the year, and the company has a surplus of franked investment income carried forward to that year (and not already dealt with under this paragraph), the claim shall so state and the income tax on the surplus shall under sub-paragraph (2) above be set against income tax on distributions made by the company (but not against income tax on other payments).
- 4
- (1) Where a claim has been made under paragraph 3 above no proceedings for collecting tax which would fall to be discharged if the claim were allowed shall be instituted pending the final determination of the claim, but this sub-paragraph shall not affect the date when the tax is due.
  - (2) When the claim is finally determined any tax underpaid in consequence of sub-paragraph (1) above shall be paid.
  - (3) Where proceedings are instituted for collecting tax assessed, or interest on tax assessed, under any provision of paragraph 2 above, effect shall not be given to any claim made after the institution of the proceedings so as to affect or delay the collection or recovery of the tax charged by the assessment or of interest thereon, until the claim has been finally determined.
  - (4) When the claim is finally determined any tax overpaid in consequence of sub-paragraph (3) above shall be repaid.
  - (5) References in this paragraph to proceedings for the collection of tax include references to proceedings by way of distraint or pointing for tax.
- 5
- Income tax set against other tax under paragraph 3 above shall be treated as paid or repaid, as the case may be, and the same tax shall not be taken into account both under this Schedule and under section 240(5) of this Act; but for the purposes of the said section 240(5) any amount paid by a company by virtue of paragraph 1(2) (a) above shall be treated as if it were income tax borne by deduction on a payment not being franked investment income, and as if that payment had been received at the end of the year of assessment for which the said amount is paid, and the said amount shall be set off against corporation tax or repayable accordingly.

#### *Assessment and due date of tax*

- 6
- (1) All the provisions of the Income Tax Acts as to the time within which an assessment may be made, so far as they refer or relate to the year of assessment for which an assessment is made, or the year to which an assessment relates, shall apply to an assessment under this Schedule notwithstanding that, under this Schedule, the assessment may be said to relate to a month rather than to a year of assessment, and the provisions of sections 36 and 37 of the Taxes Management Act 1970 as to the circumstances in which an assessment may be made out of time shall apply accordingly on the footing that any such assessment relates to the year of assessment the standard rate for which is the rate at which tax is charged by the assessment.
  - (2) Income tax assessed on a company under this Schedule shall be due within fourteen days after the issue of the notice of assessment (unless due earlier under paragraph 2(3) above).

- (3) Sub-paragraph (2) above has effect subject to any appeal against the assessment, but no such appeal shall affect the date when tax is due under paragraph 2(3) above.
- (4) On the determination of an appeal against an assessment under this Schedule any tax overpaid shall be repaid.

*Saving*

- 7 Nothing in the preceding provisions of this Schedule shall be taken to prejudice any powers conferred by the Income Tax Acts for the recovery of income tax by means of an assessment or otherwise.

*Regulations*

- 8 Subject to the provisions of this Schedule, the Board may by statutory instrument make regulations with respect to the procedure to be adopted for giving effect to sections 240 and 256 of this Act, and as to the information and evidence to be furnished by a company in or in connection with any return or claim made for the purposes thereof.

## SCHEDULE 10

Section 330.

## UNDERWRITERS

**PART I**

## SPECIAL RESERVE FUNDS

- 1 If, in the case of Lloyd's or any approved association of underwriters—
- (a) arrangements are made for the setting up, in relation to each underwriting member who elects to take advantage of the arrangements, of such a special reserve fund as is referred to in this Part of this Schedule, and
  - (b) the arrangements comply with the requirements of this Part of this Schedule, are approved by the Commissioners of Inland Revenue and are certified by the Board of Trade to be in the public interest,
- then, subject to the provisions of paragraph 14 below relating to the cancellation by the said Commissioners or the Board of Trade of their approval or certificate, the provisions of this Part of this Schedule relating to taxation shall have effect in relation to any such underwriting member who duly elects as aforesaid.

*Adherence to, and withdrawal from, arrangements*

- 2 (1) The arrangements must provide that an underwriting member who wishes to elect to take advantage of the arrangements shall do so by giving notice in writing to the inspector and to such other persons as may be specified in the arrangements.
- (2) Any such notice as aforesaid is referred to in the following provisions of this Schedule as a notice of adherence, and, in the said provisions, " the underwriter " means an underwriting member who has given such a notice.

- 3 (1) The arrangements must enable the underwriter, if he thinks fit so to do, by giving notice in writing to the inspector and to such other persons as may be specified in the arrangements, to withdraw from the arrangements to the extent appearing from the following provisions of this Schedule.
- (2) Any such notice as aforesaid is referred to in the following provisions of this Schedule as a notice of withdrawal.
- 4 Where the underwriter has given a notice of withdrawal, he shall not be entitled to give another notice of adherence.

*Setting up and management of, and payments into and out of, special reserve funds*

- 5 The arrangements must provide for the setting up, in relation to the underwriter, of a special reserve fund vested in trustees who have control over it and power to invest the capital thereof and to vary the investments:
- Provided that where part of the business of the underwriter is carried on through an underwriting agent and part thereof is not so carried on, or where different parts of his business are carried on through different underwriting agents, the arrangements may provide for separate special reserve funds being constituted in relation to the different parts of his business.
- 6 The arrangements must provide for the income arising from the investments of the underwriter's special reserve fund or funds being held on trust for the underwriter, his personal representatives or assigns.
- 7 (1) The arrangements must be such as to secure that if, for an underwriting year corresponding to a year of assessment to which this paragraph applies, the underwriter makes a profit from his business, he has the right to make, into his special reserve fund or funds, payments the gross amount of which is not in the aggregate greater than £7,000 or 50 per cent. of that profit, whichever is the less, or such less sum as may be specified in the arrangements:

Provided that—

- (a) no such payment shall be made after the expiration of six months from the date as at which the accounts of the business for that underwriting year are deemed by the Commissioners of Inland Revenue for the purposes of the arrangements to be closed, or such longer period as those Commissioners may allow ;
  - (b) where the underwriter carries on his business during part only of that year of assessment, the maximum gross amount of the said payments shall be reduced by the application thereto of the proportion which the part of that year of assessment for which he is entitled to profits from the business bears to a full year.
- (2) Subject to the provisions of paragraph 14 of this Schedule (which relates to the effect of the cancellation by the Commissioners of Inland Revenue or the Board of Trade of their approval or certificate with respect to the arrangements), the years of assessment to which this paragraph applies are all years of assessment during the whole or any part of which the underwriter continues to carry on his business subsequent to the year of assessment during which the notice of adherence is given:

Provided that—

- (a) in no case shall this paragraph apply to the year of assessment in which the underwriter commences to carry on his business or to the year of assessment next following that year;
  - (b) where the underwriter gives a notice of withdrawal, the last year of assessment to which this paragraph applies shall, subject to the provisions of the said paragraph 14, be the year of assessment corresponding to the underwriting year the accounts for which are deemed by the Commissioners of Inland Revenue for the purposes of the arrangements to be closed as at a date falling within the year of assessment preceding that in which the notice of withdrawal is given.
- (3) In sub-paragraph (1) of this paragraph, "profit" means a profit computed in the manner in which the profits or gains of the business of the underwriting year in question would fall to be computed under Case I of Schedule D if—
  - (a) income arising from the investments forming part of the premiums trust fund of the underwriter, his special reserve fund or funds and any other fund required or authorised by the rules of Lloyd's or the association in question, or required by the underwriting agent through whom the business or any part thereof is carried on, to be kept in connection with the business fell to be taken into account, and
  - (b) all shares of the profits of the business and all charges related to those profits or to the said income, being shares and charges payable to persons other than the underwriter and not otherwise taken into account, fell to be deducted.
- (4) In sub-paragraph (3)(a) above the reference to income arising from the investments forming part of the funds mentioned in the said sub-paragraph (3)(a) shall include the amount of the gains chargeable to tax under Case VII of Schedule D which accrue in the underwriting year in question from the acquisition and disposal of any such investments, after deducting from those gains losses accruing before the end of that year from any chargeable acquisition and disposal (within the meaning of Case VII of Schedule D) of any such investments so far as those losses are not under this sub-paragraph deductible from gains accruing in a previous underwriting year.
- 8 (1) The arrangements must be such as to secure that, if it is certified that the underwriter has sustained a loss in his business for an underwriting year subsequent to that which corresponds to the first year of assessment to which paragraph 7 of this Schedule applies, there shall be made into his premiums trust fund, out of the capital of his special reserve fund or funds, payments the gross amount of which is equal in the aggregate to the certified amount of the loss:
 

Provided that if the capital of his special reserve fund or funds, reduced by so much thereof as represents sums paid into it or them as a consequence of a profit for a year later than the year of the loss, is less than the net amount of the payments required to be made by this sub-paragraph, the said payments shall be reduced so that the net amount thereof is equal to the capital of the said fund or funds as so reduced.
- (2) In this paragraph, "loss" means a loss computed in the manner in which the profits or gains of the business of the underwriting year in question would fall to be computed under paragraph 7(3) above:
 

Provided that where, under any arrangement between the underwriter and another person which provides for the sharing of losses, any amount is paid to the underwriter by that person as that person's share of a loss for that year, the loss, as computed for the purposes of this paragraph, shall be reduced by that amount.

(3) In this paragraph, " certified " means certified by a certificate of the inspector:

Provided that—

- (a) no certificate shall be given by the inspector until thirty days have elapsed from the date on which he has given to the underwriter or his personal representatives notice in writing stating his intention to give a certificate and stating the amount which he proposes to specify therein as the amount of the loss ;
- (b) the underwriter or his personal representatives may, on giving notice in writing to the inspector within the said thirty days, appeal to the Special Commissioners ;
- (c) where notice is so given by the underwriter or his personal representatives, the inspector shall not without the consent of the underwriter or his personal representatives give any certificate until after the hearing of the appeal; and
- (d) on the hearing of the appeal, the Special Commissioners may direct the inspector not to give a certificate or to give it with such an amount specified therein as the amount of the loss as may be specified in the direction.

- 9 (1) The arrangements may authorise the making of payments pursuant to paragraph 8(1) above on a provisional basis before the amount of the loss has been finally ascertained and certified by the inspector.
- (2) The amount so withdrawn shall not exceed such proportion of the estimated loss as may be specified in the arrangements.
- (3) When the amount of the loss has been certified by the inspector such adjustments shall be made by repayment to the underwriter's special reserve fund or funds, or by further withdrawal of sums for payment into the underwriter's premiums trust fund, as will secure that the net amount withdrawn from the underwriter's special reserve fund or funds in respect of the loss is that required pursuant to paragraph 8(1) above ; and no tax consequences shall ensue on the withdrawal of sums in respect of a loss until the amount of the loss has been so certified and any such adjustments have been made.
- 10 The arrangements must provide that, on the underwriter ceasing to carry on his business, the capital of his special reserve fund or funds, so far as not required for giving effect to the requirements of paragraph 8 above, shall be paid over to the underwriter or his personal representatives or assigns.

#### *Income tax consequences*

- 11 (1) Where such a payment as is mentioned in paragraph 7(1) above is made into a special reserve fund of an underwriter by reason of the making by him of a profit for an underwriting year—
  - (a) the payment shall be deemed for all income tax purposes to be an annual payment chargeable to income tax by way of deduction and payable and paid in the year of assessment corresponding to that underwriting year ; and
  - (b) the sum actually paid shall be deemed for the purposes of this Part of this Schedule and for all income tax purposes to be a net amount corresponding to a gross amount from which income tax has been duly deducted at the standard rate for that year of assessment.



- (2) Where such a payment as is mentioned in paragraph 8(1) above is made out of a special reserve fund of an underwriter into a premiums trust fund of his by reason that he has sustained a loss for an underwriting year then, subject to paragraph 9(3) above—
- (a) the payment shall be deemed for all income tax purposes—
    - (i) to be an annual payment chargeable to income tax by way of deduction and paid out of profits or gains brought into charge to income tax ; and
    - (ii) to have been payable and paid to the underwriter ; and
    - (iii) to have been payable and paid to him on the last day of the year of assessment which immediately preceded the year of assessment corresponding to that underwriting year or, if he ceased to carry on his business before that day, on the last day on which he carried on his business ; and
  - (b) the sum actually paid shall be deemed for the purposes of this Part of this Schedule and for all income tax purposes to be a net amount corresponding to a gross amount from which income tax has been duly deducted at the standard rate for the year of assessment in which the payment is deemed as aforesaid to have been payable and paid.
- (3) Where the underwriter ceases to carry on his business before his death and, under so much of the arrangements as gives effect to paragraph 10 of this Schedule, a sum is paid to him or his personal representatives or assigns—
- (a) the payment shall be deemed for all income tax purposes—
    - (i) to be an annual payment chargeable to income tax by way of deduction and paid out of profits or gains brought into charge to income tax ; and
    - (ii) to have been payable and paid to the underwriter ; and
    - (iii) to have been payable and paid to him on the last day on which he carried on his business ; and
  - (b) the sum actually paid shall be deemed for the purposes of this Part of this Schedule and for all income tax purposes to be a net amount corresponding to a gross amount from which income tax has been duly deducted at the standard rate for the year of assessment in which the payment is deemed as aforesaid to have been payable and paid.
- (4) Neither the arrangements, nor any disposition, trust, covenant, agreement or arrangement entered into for the purposes thereof, shall be treated as included in the expression " settlement" for the purposes of Chapter LTI or Chapter IV of Part XVI of this Act, and nothing in section 31 of this Act (surtax relief where income for a period exceeding a year is received in a year) shall be construed as applying to the payments referred to in sub-paragraphs (2) and (3) of this paragraph.
- 12 (1) In this paragraph "the lower limit" means the limit which would be imposed by paragraph 7(1) above if the words " £5,000 or 35 per cent. of that profit, whichever is the less " stood in that sub-paragraph in place of the words " £7,000 or 50 per cent. of that profit, whichever is the less ".
- (2) Where an underwriter dies while carrying on his business and, after giving effect to the requirements of paragraph 8 above, his special reserve fund or funds include an amount which represents an excess in the payments made into the fund or funds for any underwriting year over the lower limit—

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- (a) he shall be deemed for all income tax purposes to have received in the year of assessment corresponding to the said underwriting year a payment of the said amount—
    - (i) which was an annual payment chargeable to income tax by way of deduction and paid out of profits or gains brought into charge to income tax, and
    - (ii) which was payable in the year of assessment in which it is deemed to have been paid, and
  - (b) the payment (to the said actual amount) shall be deemed for the purposes of this Part of this Schedule and for all income tax purposes to be a net amount corresponding to a gross amount from which tax has been duly deducted at the standard rate for the year of assessment in which the amount is deemed as aforesaid to have been payable and paid.
- (3) Where, to give effect to the requirements of the said paragraph 8 as to the meeting of a loss, any withdrawal was made at any time from the capital of the underwriter's special reserve fund or funds, the amount withdrawn shall be regarded for the purposes of sub-paragraph (2) above—
- (a) as having been met out of payments made into the fund or funds for underwriting years before that in which the loss was incurred, and as having been met before any withdrawal to meet a loss for a later underwriting year, and
  - (b) as having been met out of so much of the payments made for any underwriting year as was not in excess of the lower limit, rather than out of such part of the payments made for any underwriting year as was in excess of the lower limit, and
  - (c) subject to that, as having been met out of payments in excess of the lower limit for a later year rather than out of payments in excess of the lower limit for an earlier year,
- and, where payments have been made into the underwriter's special reserve fund or funds for any underwriting year in excess of the lower limit, his fund or funds shall be deemed at all subsequent times to include an amount representing that excess except to the extent that any withdrawal is, under the provisions of this sub-paragraph, to be regarded as having been met out of that amount.
- (4) Any tax chargeable by virtue of this paragraph shall be assessed and charged upon the underwriter's personal representatives and tax so charged shall be a debt due from and payable out of his estate; and, notwithstanding section 34(1) of the Taxes Management Act 1970 (which requires assessments to be made not later than six years after the end of the year to which they relate), assessments in respect of tax so chargeable may be made at any time not later than three years after the end of the year of assessment in which the underwriter died.
- (5) References in this paragraph to payments made into a special reserve fund or funds for any underwriting year are references to payments made, as described in paragraph 7(1) above, by reference to the profits made for that underwriting year.

#### *Supplemental*

- 13      The arrangements may from time to time be varied with the consent of the Commissioners of Inland Revenue and the Board of Trade.

- 14 If, after giving notice in writing of their intention so to do to the Committee of Lloyd's or the managing body of whatever other association of underwriters is in question, the Commissioners of Inland Revenue or the Board of Trade cancel the approval or certificate which they have given with respect to the arrangements—
- (a) no underwriting member may give a notice of adherence to the arrangements after the date of the cancellation ; and
  - (b) paragraph 7 of this Schedule shall not apply, in the case of any underwriter, to any year of assessment after the year of assessment in which the approval or certificate is cancelled.

## PART II

### SHORT TERM CAPITAL GAINS

- 15 (1) An underwriting member of Lloyd's or of an approved association of underwriters shall be treated for the purposes of Chapter VIII of Part VI of this Act, and in particular of section 163(1) of this Act (persons absolutely entitled to assets held by nominees or trustees), as absolutely entitled as against the trustees to the investments of his premiums trust fund, his special reserve fund (if any) and any other trust fund required or authorised by the rules of Lloyd's or the association in question, or required by the underwriting agent through whom his business or any part of it is carried on, to be kept in connection with the business.
- (2) The trustees of any such fund shall (subject to sub-paragraph (3) below) be assessed and charged to income tax at the standard rate as if sub-paragraph (1) above had not been passed, and may, notwithstanding anything in any enactment or in the trusts of the fund, out of any gain accruing from the acquisition and disposal of an investment of the fund make good to the underwriting member any increase in the surtax borne by him which is attributable to that gain.
- (3) The assessment to be made on the trustees of a fund by virtue of this paragraph for any year of assessment shall not take account of losses accruing in any previous year of assessment, and if for that or any other reason the tax paid on behalf of an underwriting member for any year of assessment by virtue of assessments so made exceeds the tax for which he is liable, the excess shall be repaid on a claim being made by him.

## PART III

### INTERPRETATION

- 16 (1) In this Schedule—
- " approved association of underwriters " means an association of underwriters approved by the Board of Trade for the purposes of Part II of the Companies Act 1967 or by the Ministry of Commerce for Northern Ireland for the purposes of section 3 of the Insurance Companies Act (Northern Ireland) 1968,
- " business ", in relation to an underwriter, means his underwriting business as a member of Lloyd's or of whatever other association of underwriters is in question, whether carried on personally or through an underwriting agent, and does not include any other business carried on by him, and in particular,

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where he is himself an underwriting agent, does not include his business as such an agent,

" net amount " and " gross amount ", in relation to any payment, mean respectively the sum actually paid and the sum which, after deduction of income tax, is equal to the sum actually paid,

" premiums trust fund " means such a trust fund as is referred to in paragraph 1 of Schedule 1 to the Insurance Companies Act 1958, or paragraph 1 of Schedule 1 to the Insurance Companies Act (Northern Ireland) 1968,

" underwriting year " means, in relation to the business of an underwriter as a member of Lloyd's the calendar year, and, in relation to the business of an underwriter as a member of any other association of underwriters, the period of twelve months for which, under the rules or practice of that association, the accounts of the business of the underwriter fall to be made up.

- (2) For the purpose of construing any reference in this Schedule to the year of assessment which corresponds to an underwriting year or to the underwriting year which corresponds to a year of assessment, an underwriting year and a year of assessment shall be deemed to correspond to each other in the case of an underwriter if, assuming that there were no question arising in connection with the commencement or cessation of the business of that underwriter, that underwriting year is the period on the profits or gains of which income tax for that year of assessment would fall to be computed under Case I of Schedule D in respect of that business.

## SCHEDULE 11

Sections 408 and 410.

### TAX RELIEFS IN CONNECTION WITH REDUNDANCY SCHEMES

#### PART I

##### PRELIMINARY

##### 1 (1) In this Schedule—

" scheme " means a scheme which is for the time being certified or has at any time been certified by the Board of Trade under section 406 of this Act;

" payment " means a payment made under a scheme, being a payment made to a person carrying on a trade to which the scheme relates and not being a payment made by way of repayment of contributions ;

" the person chargeable " means, in relation to any such payment, the person liable to pay any tax which may fall to be paid by reason of the receipt of the payment;

" damage " includes any loss, liability, expense or other burden, and references to the amount of any damage are references to the sum which would be fair compensation for that damage;

" contribution " includes part of a contribution, and " deductible contribution " means a contribution allowed to be deducted under the said section 406, any reduction thereof under Part III of this Schedule being left out of account; and

" asset " includes a part of an asset.

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- (2) For the purposes of this Schedule, a sum received by any person by way of repayment of contributions shall be deemed to be by way of repayment of the last contribution paid by him, and, if the sum exceeds the amount of that contribution, by way of repayment of the penultimate contribution so paid, and so on.

## PART II

### RELIEF IN RESPECT OF CERTAIN PAYMENTS

- 2 The question whether any, and if so, what, relief is to be given shall be determined separately in relation to each payment made under the scheme in respect of the trade, but for the purpose of determining that question regard shall be had, as hereinafter provided, to the sum (hereafter in this Schedule referred to as "the total payment") produced by adding the amount of the payment to the amount of any payments previously so made.
- 3 No relief shall be given in respect of the payment unless the person chargeable shows—
- (a) the amount of the damage in respect of which the total payment has been made ; and
  - (b) how much of that amount is referable to damage in respect of which no relief may be given under the Tax Acts.
- 4 No relief shall be given in respect of the payment unless the total payment, or the amount of the damage in respect of which the total payment has been made, whichever is the smaller, exceeds the aggregate amount of the deductible contributions which have been paid in furtherance of the scheme in respect of the trade in question before the payment is made, exclusive of any contributions which have been repaid before the payment is made.
- 5 The amount of the reduction to be made in respect of the payment shall be arrived at by—
- (a) ascertaining the sum which bears to the excess mentioned in paragraph 4 above the same proportion that the amount mentioned in paragraph 3(b) above bears to the amount mentioned in paragraph 3(a); and
  - (b) deducting from the said sum the total amount of any reductions which have been or fall to be made under this Schedule in respect of payments previously made under the scheme in respect of the trade.
- 6 (1) For the purposes of this Schedule, damage shall be deemed to be damage in respect of which relief may be given under the Tax Acts if and only if—
- (a) the damage is attributable to any of the following events, that is to say, the demolition, destruction or putting out of use of any asset, or the disposition or termination of an interest in any asset, and, by reason of that event, an allowance falls to be made under Chapter I or Chapter II of Part I of the Capital Allowances Act 1968 in taxing the trade; or
  - (b) the damage consists of any loss, liability, expense or other burden in respect of which an allowance may be made in computing the profits or gains of the trade for the purposes of the Tax Acts ;

Provided that where an allowance under the said Chapter I in respect of any damage falls to be reduced in the proportion specified in section 3(4) of the Capital Allowances Act 1968, only a proportionately reduced amount of the damage shall be

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treated as being referable to damage in respect of which relief may be given under the Tax Acts.

- (2) Where any event occurs which would give rise to an allowance under the Tax Acts in respect of any asset in taxing, or computing the profits or gains of, a trade but for any of the following matters, that is to say—
- (a) that there are no profits or gains against which the allowance could be made; or
  - (b) that account is required to be taken of allowances previously made or deemed to have been made in respect of the asset; or
  - (c) that account is required to be taken of any sum which falls to be written off the expenditure incurred on the asset for the purpose of determining whether any and if so what allowance may be given by reason of the event; or
  - (d) that account is required to be taken of any sum falling to be taken into account as sale, insurance, salvage or compensation moneys,
- the like consequences shall ensue under this Schedule as if an allowance had fallen to be made by reason of that event.
- (3) Where any damage is attributable to a permanent change in the purposes for which an asset is used, or the temporary or permanent putting out of use of an asset, the question whether the damage is damage in respect of which relief may be given under the Tax Acts shall be determined as if the damage had been attributable to a sale of the asset on the date upon which the change or putting out of use took place.

### PART III

#### EXCLUSION OF RELIEF IN RESPECT OF CONTRIBUTIONS PAID AFTER RELIEF HAS BEEN GIVEN UNDER PART II OF THIS SCHEDULE

- 7      The provisions of this Part of this Schedule shall have effect where—
- (a) a contribution is paid under a scheme in respect of a trade ; and
  - (b) before the contribution is paid, payments have been made under the scheme to the person carrying on the trade ; and
  - (c) reductions have been made, under the preceding provisions of this Schedule, in the amounts which, by reason of those payments, are to be treated as trading receipts of the trade.
- 8      There shall be ascertained—
- (a) the total amount of the said reductions ; and
  - (b) the sum by which that total would have been decreased if the contribution, and any previous contributions to which this Part of this Schedule applies, had been paid before any of the payments were made.
- 9      For the purpose of determining what deduction is to be made in respect of the contribution under section 406 of this Act, the contribution shall be deemed to be reduced by the sum specified in paragraph 8(6) above, but—
- (a) for the purpose of the application of the said paragraph 8 in relation to contributions subsequently paid under the scheme in respect of the trade, the total amount of the reductions referred to in that paragraph shall be treated as decreased by that sum ; and

- (6) for the purpose of the application of paragraph 5 above in relation to payments subsequently made under the scheme in respect of the trade, the total amount of the reductions referred to in paragraph 5 above shall be treated as decreased by the said sum.
- 10 When two or more contributions are paid at the same time, the provisions of this Part of this Schedule shall have effect as if they were a single contribution.

## SCHEDULE 12

Section 513.

### DOUBLE TAXATION RELIEF : REPUBLIC OF IRELAND

#### PART I

##### TEXT OF AGREEMENTS

##### *Agreement of 14th April 1926*

AGREEMENT MADE THE 14TH APRIL, 1926, BETWEEN THE BRITISH GOVERNMENT AND THE GOVERNMENT OF THE IRISH FREE STATE IN RESPECT OF DOUBLE INCOME TAX.

The British Government and the Government of the Irish Free State, being desirous of concluding an Agreement for the reciprocal exemption from income tax and super-tax of persons who are resident in Great Britain (including Northern Ireland) or in the Irish Free State but are not resident in both countries and for the reciprocal granting of relief from double taxation in respect of income tax (including super-tax) to persons who are resident in both countries, and being desirous of making such supplemental consequential and incidental provisions as appear necessary or proper for the purposes of such Agreement, have agreed as follows:—

1.
  - (a) Any person who proves to the satisfaction of the Commissioners of Inland Revenue that for any year he is resident in the Irish Free State and is not resident in Great Britain or Northern Ireland shall be entitled to exemption from British income tax for that year in respect of all property situate and all profits or gains arising in Great Britain or Northern Ireland and to exemption from British super-tax for that year.
  - (b) Any person who proves to the satisfaction of the Revenue Commissioners that for any year he is resident in Great Britain or Northern Ireland and is not resident in the Irish Free State shall be entitled to exemption from Irish Free State income tax for that year in respect of all property situate and all profits or gains arising in the Irish Free State, and to exemption from Irish Free State super-tax for that year.
  - (c) Exemption under this Article may be given either by discharge or by repayment of tax, or otherwise, as the case may require.
- [*Note.—Article 2, which was superseded by Article 2 of the agreement of 25th April 1928, is omitted.*]
3.
  - (a) Any person who is entitled to exemption from British income tax by virtue of Article 1(a) of this Agreement in respect of property situate and profits or gains arising in Great Britain or Northern Ireland shall, if and so far as the

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- Oireachtas of the Irish Free State so provides, and subject to any exemption or relief to which he may be entitled under the laws in force in the Irish Free State, be chargeable to Irish Free State income tax in respect of such property profits or gains.
- (b) Any person who is entitled to exemption from Irish Free State income tax by virtue of Article 1(b) of this Agreement in respect of property situate and profits or gains arising in the Irish Free State shall, if and so far as the British Parliament so provides, and subject to any exemption or relief to which he may be entitled under the laws in force in Great Britain and Northern Ireland, be chargeable to British income tax in respect of such property profits or gains.
- (c) Any person who is entitled to relief by virtue of Article 2 of this Agreement shall, subject to such relief, be chargeable, if and so far as the British Parliament so provides, to British income tax in respect of property situate and profits or gains arising in the Irish Free State in like manner in all respects as if he were resident in Great Britain or Northern Ireland but not resident in the Irish Free State and shall, subject to such relief as aforesaid, be chargeable, if and so far as the Oireachtas of the Irish Free State so provides, to Irish Free State income tax in respect of property situate and profits or gains arising in Great Britain or Northern Ireland in like manner in all respects as if he were resident in the Irish Free State but not resident in Great Britain or Northern Ireland.
4. For the purpose of this Agreement a company, whether incorporated by or under the laws of Great Britain or of Northern Ireland or of the Irish Free State or otherwise, shall be deemed to be resident in that country only in which its business is managed and controlled.
5. The Commissioners of Inland Revenue and the Revenue Commissioners may from time to time make arrangements generally for carrying out this Agreement and may in particular make such arrangements as may be practicable to avoid the collection of both British and Irish Free State income tax on the same income without allowance for any relief due under this Agreement, and the Commissioners of Inland Revenue and the Revenue Commissioners may make such regulations as they respectively think fit for carrying out such arrangements.
6. The obligation as to secrecy imposed by any enactment with regard to income tax shall not prevent the disclosure by any authorised officer of the British Government to any authorised officer of the Government of the Irish Free State or by any authorised officer of the Government of the Irish Free State to any authorised officer of the British Government of such facts as may be necessary to enable full effect to be given to this Agreement.
7. Any question that may arise between the parties to this Agreement as to the interpretation of this Agreement or as to any matter arising out of or incidental to the Agreement shall be determined by such tribunal as may be agreed between them, and the determination of such tribunal shall, as between them, be final.
8. This Agreement shall be subject to confirmation by the British Parliament and by the Oireachtas of the Irish Free State and shall have effect only if and so long as legislation confirming the Agreement is in force both in Great Britain and Northern Ireland and in the Irish Free State.

Dated this fourteenth day of April, nineteen hundred and twenty-six.



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(signed)

WINSTON S. CHURCHILL,  
Chancellor of the Exchequer.

EARNÁN DE BLAGHD,  
Minister for Finance, Saorstát Éireann.

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*Agreement of 25th April 1928*

AGREEMENT MADE THE 25TH DAY OF APRIL, 1928, BETWEEN THE BRITISH GOVERNMENT AND THE GOVERNMENT OF THE IRISH FREE STATE AMENDING THE AGREEMENT MADE ON THE 14TH DAY OF APRIL, 1926, BETWEEN THE SAID GOVERNMENTS IN RESPECT OF DOUBLE INCOME TAX.

With a view to making such alterations in the Agreement made the 14th April, 1926, between the British Government and the Government of the Irish Free State in respect of Double Income Tax as may be necessary in consequence of the alterations in the British Income Tax Acts effected by the British Finance Act, 1927, and of the alterations contemplated in the Irish Free State Income Tax Acts, it is hereby agreed between the said Governments that the said Agreement shall be amended as follows:—

1.
  - (a) In Article 1(a) of the said Agreement the words " British income tax " shall as respects the year 1928-29 and any subsequent year be construed as meaning British income tax charged or chargeable at the standard rate and the expression " British super-tax " shall for the year 1928-29 include British sur-tax and shall for subsequent years mean British sur-tax.
  - (b) In Article 1(b) of the said Agreement the expression "Irish Free State super-tax " shall for the year 1928-29 include Irish Free State sur-tax and shall for subsequent years mean Irish Free State sur-tax.
2. The following Article shall be substituted for Article 2 of the said Agreement:—
  - "2 (1) Relief from double taxation in respect of income tax (including sur-tax) in the case of any person who is resident both in Great Britain or Northern Ireland and in the Irish Free State shall be allowed from British income tax and Irish Free State tax respectively in accordance with and under the provisions of section 27 of the Finance Act, 1920, provided that—
    - (a) the rate of relief to be allowed from British income tax shall be one-half of that person's appropriate rate of British income tax or one-half of his appropriate rate of Irish Free State tax, whichever is the lower ;
    - (b) the rate of relief to be allowed from Irish Free State tax shall be one-half of that person's appropriate rate of British income tax or one-half of his appropriate rate of Irish Free State tax, whichever is the lower ;
    - (c) the appropriate rate of British income tax for any year shall in the case of a person whose income is chargeable to British income tax at the standard rate only be a rate ascertained by dividing the amount of tax payable by him for that year in respect of his total income (before deduction of any relief granted in respect of life assurance premiums or any relief granted under the provisions of Section 27 of the Finance Act, 1920, as amended by this Article) by the amount of his total income and shall in the case of a person part of whose total income is chargeable to British income tax at a rate or rates in excess of the standard rate be the sum of the following rates:—

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- (i) the rate which would have been the appropriate rate in the case of that person if his income had been chargeable at the standard rate only, and
  - (ii) the rate ascertained by dividing the amount of the British sur-tax payable by that person for that year by the amount of his total income for that year;
- (d) the appropriate rate of Irish Free State tax for any year shall in the case of a person whose income is chargeable in the Irish Free State to income tax only be a rate ascertained by dividing the amount of tax payable by him for that year in respect of his total income (before deduction of any relief granted in respect of life assurance premiums or any relief granted under the provisions of Section 27 of the Finance Act, 1920, as amended by this Article) by the amount of his total income, and shall in the case of a person whose income is chargeable to Irish Free State sur-tax be the sum of the following rates:—
  - (i) the rate which would have been the appropriate rate in the case of that person if his income had been chargeable to income tax only, and
  - (ii) the rate ascertained by dividing the amount of the Irish Free State sur-tax payable by that person for that year by the amount of his total income for that year ;
- (e) relief under this Article from British income tax allowable to any person for any year shall be given as to such an amount as would be due if his income for the year were chargeable to British income tax at the standard rate only and to Irish Free State income tax only by repayment of or set off against the tax at the standard rate payable by him for that year, and as to any balance by repayment of or set off against any British sur-tax payable by him for that year ;
- (f) relief under this Article from Irish Free State tax allowable to any person for any year shall be given as to such an amount as would be due if his income for the year were chargeable to British income tax at the standard rate only and to Irish Free State income tax only by repayment of or set off against the income tax payable by him for that year, and as to any balance by repayment of or set off against any Irish Free State sur-tax payable by him for that year.

*[Note.—Paragraph (2) of this Article, which related only to supertax for the year 1928-29, is omitted.]*

- (3) For the purposes of this Article references to Section 27 of the Finance Act, 1920, shall in relation to British taxation be construed as references to that section subject to the amendments thereof effected by the British Finance Act, 1927, other than the amendment of the said section numbered (iv) in Part II of the Fifth Schedule to the said Act of 1927.”

- 3. This Agreement shall be subject to confirmation by the British Parliament and by the Oireachtas of the Irish Free State and shall have effect only if and so long as legislation confirming the Agreement is in force both in Great Britain and Northern Ireland and in the Irish Free State.

Dated this 25th day of April, nineteen hundred and twenty-eight.

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(signed)

WINSTON S. CHURCHILL,  
Chancellor of the Exchequer.

EARNÁN DE BLAGHD,  
Minister for Finance, Saorstat Eireann.

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*Agreement of 4th April 1959*

[*Note.—(1) The agreement of 21st July 1947 referred to in italics in Article 1 of this agreement is not reproduced. It related solely to provisions of the Finance (No. 2) Act 1945 which, as re-enacted in section 350 of the Income Tax Act 1952, were repealed for years after 1965-66 by the Finance Act 1965.*

*(2) Other passages italicised in the agreement are inoperative for years after 1965-66 by reason of the repeal for such years, by the Finance Act 1965, of section 4 of the Finance (No. 2) Act 1955.]*

AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM AND  
THE GOVERNMENT OF THE REPUBLIC OF IRELAND WITH RESPECT TO CERTAIN  
EXEMPTIONS FROM TAX.

The Government of the United Kingdom and the Government of the Republic of Ireland,

Considering the Agreement of the 14th April, 1926, between the British Government and the Government of the Irish Free State, in pursuance of which exemptions from tax are conferred on persons resident in one only of the countries from tax under the law of the other,

Considering that doubts have arisen as to the effect on the said exemptions of the provisions of subsection (2) of Section four of the United Kingdom Finance (No. 2) Act, 1955 (hereinafter called "the Act of 1955") and subsection (2) of Section fifty-one of the Irish Republican Finance Act, 1958 (hereinafter called "the Act of 1958") (which relate to purchases of shares by persons exempted from tax),

Desiring to remove these doubts for the year 1959-60 and subsequent years,

Have agreed as follows:—

Article 1

- (1) The said exemptions fall within, and are subject to, the said provisions of the Act of 1955 and the Act of 1958.
- (2) Subject as aforesaid the said Agreement of 1926 as amended by Agreements made on the 25th April, 1928, and the 21st July, 1947, continues in force.
- (3) Paragraph (1) of this Article does not relate to cases where the dividend in respect of which exemption is claimed is one on a holding of shares or stock acquired by the person claiming exemption, or regarded as having been acquired by him, before the eighth day of April, nineteen hundred and fifty-nine except in so far as that dividend is one falling within subsection (2) of the said Section four or subsection (2) of the said Section fifty-one by reason (directly or indirectly) that in respect of another dividend, received by a body corporate other than the person claiming exemption from a holding of shares or stock acquired, or regarded as acquired, by the body corporate on or after the said eighth day of April, a deduction is to be made in determining the income of that body corporate arising after a given date ; but this paragraph is without prejudice to any question as to the application of the said provisions of the

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Act of 1955 and the Act of 1958 in circumstances to which paragraph (1) of this Article does not relate.

## Article 2

This Agreement shall become effective on the exchange of notes confirming that the necessary steps have been taken to give it the force of law in the United Kingdom and the Republic of Ireland, and thereafter shall remain effective only so long as it has the force of law in both countries.

Dated this fourth day of April, 1959.

For the Government of the United Kingdom  D. HEATHCOAT AMORY	For the Government of the Republic of Ireland  SÉAMAS O RIAIN
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## *Agreement of 23rd June 1960*

[*Note.—See paragraph (1) of note to agreement of 4th April 1959.*]

## AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM AND THE GOVERNMENT OF THE REPUBLIC OF IRELAND WITH RESPECT TO CERTAIN EXEMPTIONS FROM TAX.

The Government of the United Kingdom and the Government of the Republic of Ireland,

Considering the Agreement of the 14th April, 1926, between the British Government and the Government of the Irish Free State in pursuance of which exemptions from tax are conferred on persons resident in one only of the countries from tax under the law of the other,

Considering that legislation may be enacted in either country to maintain the proper incidence of liability to income tax and to prevent the obtaining of undue tax advantages,

Considering that such legislation may be insufficiently effective unless, as well as applying to persons resident in the country where it is enacted, it applies also to persons not so resident but resident in the other of the two countries and accordingly affects exemptions from tax conferred in pursuance of the said Agreement of 1926,

Recognising that the legislation which was the subject of the Agreement of the 4th April, 1959, made between the two Governments affected the said exemptions in particular ways, and desiring to supplement that Agreement by a more general Agreement,

Desiring to declare that save as provided by this Agreement the continuance in force of the said Agreement of 1926 shall not be affected by the enactment of such legislation,

Have agreed as follows:—

## Article 1

Legislation enacted in either country at any time after the date of this Agreement and affecting in any way exemptions from income tax of that country of persons resident in that country shall, except as otherwise provided by the legislation and subject to the next following Article of this Agreement, have the like effect on exemptions from that tax which persons enjoy as not resident in that country but resident in the other of the two countries, and the enactment of such legislation shall not affect the continuance in force of the said Agreement of 1926, as amended by Agreements of the 25th April, 1928, the 21st July, 1947, and the 4th April, 1959, and this Agreement.

## Article 2

If the Government of either country represents that any provisions of legislation enacted in the other country, being provisions falling within Article 1 of this Agreement, are nevertheless not within the intention of the Agreement, the two Governments shall consult and if they agree that Article 1 ought not to apply the Government of the country in which the legislation was enacted shall take the necessary steps to secure that the said provisions shall not affect, or be deemed to have affected, exemptions from the income tax of that country which persons enjoy as not resident therein but resident in the other country.

## Article 3

This Agreement shall become effective on the exchange of notes confirming that the necessary steps have been taken to give it the force of law in the United Kingdom and the Republic of Ireland, and thereafter shall remain effective only so long as it has the force of law in both countries.

Dated this 23rd day of June, 1960.

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For the Government of the United Kingdom

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For the Government of the Republic of  
Ireland

D. HEATHCOAT AMORY

SÉAMAS O RIAIN

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## PART II

### SECTION 27 OF THE FINANCE ACT 1920 AS IT APPLIES IN THE UNITED KINGDOM IN RELATION TO REPUBLIC OF IRELAND INCOME TAX

“**27** (1) If any person who has paid, by deduction or otherwise, or is liable to pay, United Kingdom income tax for any year of assessment on any part of his income proves that he has paid Republic of Ireland income tax for that year in respect of the same part of his income, he shall be entitled to relief from United Kingdom income tax paid or payable by him on that part of his income at a rate thereon to be determined in accordance with the provisions in that behalf of Article 2 of the agreement dated 25th April 1928 set out in Part I of Schedule 12 to the Income and Corporation Taxes Act 1970.

(2) Where a person has not established his claim to relief under this section for any year of assessment before the 1st January in that year, the relief shall be granted by way of repayment of tax.

.....

(4) Notwithstanding anything in the provisions of the Income and Corporation Taxes Act 1970 and, in particular, notwithstanding anything in section 516 of that Act, no deduction shall be made on account of the payment of Republic of Ireland income tax in estimating income for the purposes of United Kingdom income tax, and where income tax has been paid or is payable in the Republic of Ireland either on the income out of which income subject to United Kingdom income tax arises or is received, or as a direct charge in respect of that income, the income so subject to United Kingdom income tax shall be deemed to be income arising or received after deduction of Republic of Ireland income tax, and an addition shall, in estimating income for the purposes of the United Kingdom income tax, be made to that income of the proportionate part of the income tax paid or payable in the Republic of Ireland in respect of the income out of which that income arises or is received, together with the full amount of any Republic of Ireland

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income tax directly charged or chargeable in the Republic of Ireland in respect of that income:

Provided that where any income arising or received as aforesaid consists of dividends which are entrusted to any person in the United Kingdom for payment and the Board are satisfied that the person so entrusted is not in a position to ascertain the amount of the addition to be made under this subsection, the assessment and charge may be made on the amount of the dividends as received by the person so entrusted, but in any such case the amount of the addition shall be chargeable on the recipient of the dividends under Case VI of Schedule D.

In the above proviso, the expression " dividends" includes any interest, annuities, dividends, shares of annuities or other annual payments in respect of which tax is charged under Schedule C, or under section 159 of the Income and Corporation Taxes Act 1970; and the jurisdiction of the Special Commissioners on any appeal shall include jurisdiction to review any decision of the Board under that proviso.

.....

- (7) The Board may from time to time make regulations generally for carrying out the provisions of this section, and may in particular by those regulations provide—
- (a) for making such arrangements with the Government of the Republic of Ireland as may be necessary to enable the appropriate relief to be granted, and
  - (b) for prescribing the year which, in relation to any Republic of Ireland income tax, is, for the purposes of relief under this section, to be taken as corresponding to the year of assessment for the purposes of United Kingdom income tax.”

### PART III

#### PROVISIONS FOR GIVING EFFECT TO AGREEMENTS SET OUT IN PART I OF THIS SCHEDULE

- 1 The provisions of this Part of this Schedule shall have effect for any year for which the agreements set out in Part I of this Schedule are in force, and the other provisions of the Income Tax Acts shall be modified accordingly.
- 2 (1) Notwithstanding anything in sections 122 or 123 of this Act, but subject to the provisions of this paragraph, income tax chargeable under Case IV or Case V of Schedule D shall, in the case of property situated and profits or gains arising in the Republic of Ireland, be computed on the full amount of the income arising in the year of assessment, whether the income has been or will be received in the United Kingdom or not, subject in the case of income not received in the United Kingdom—
  - (a) to the same deductions and allowances as if it had been so received, and
  - (b) to a deduction on account of any annuity or other annual payment (not being interest) payable out of the income to a person not resident in the United Kingdom, and
  - (c) to a deduction on account of any annual interest payable out of the income to a person not resident in the United Kingdom, being interest paid before 6th April 1975 on a debt incurred on or before 15th April 1969.
- (2) Sub-paragraph (1) above shall not apply—
  - (a) to any income which is immediately derived by a person from the carrying on by him of any trade, profession or vocation, either solely or in partnership, or
  - (b) to any income which arises from any pension,

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but the tax in respect of any such income arising in the Republic of Ireland shall be computed either on the full amount thereof arising in the year of assessment, or on the full amount thereof on an average of such period as the case may require and as may be directed by the inspector, so that, according to the nature of the income, the tax may be computed on the same basis as that on which it would have been computed if the income had arisen in the United Kingdom, and subject in either case to a deduction on account of any annual interest or any annuity or other annual payment payable out of the income to a person not resident in the United Kingdom ; and the person chargeable and assessable shall be entitled to the same allowances, deductions and reliefs as if the income had arisen in the United Kingdom.

The jurisdiction of the General or Special Commissioners on any appeal shall include jurisdiction to review the inspector's decision under this sub-paragraph.

- 3 (1) Any duties of an office or employment performed in the Republic of Ireland by a person resident in the United Kingdom shall be treated for the purposes of Cases I and II of Schedule E as performed in the United Kingdom, but there shall be deducted from any emoluments chargeable by virtue only of this paragraph any annuity or other annual payment (not being interest) payable out of the emoluments to a person not resident in the United Kingdom.
- (2) A person resident in the Republic of Ireland, but not resident in the United Kingdom, shall not be chargeable to tax under Case II of Schedule E.
- (3) The emoluments excepted from Cases I and II of Schedule E as foreign emoluments shall not include the emoluments of a person resident in the United Kingdom from an office or employment under or with a person, body of persons or partnership resident in the Republic of Ireland.
- 4 Any claim for exemption from tax on the ground that the claimant is resident in the Republic of Ireland and is not resident in the United Kingdom shall be made to the Board:  
  
Provided that a claimant shall not be entitled to the exemption in respect of any income the income tax on which he is entitled to charge against any other person, or to deduct, retain or satisfy out of any payment which he is liable to make to any other person.
- 5 (1) Any claim under section 27 of the Finance Act 1920, as set out in Part II of this Schedule, shall be made to the Board.
- (2) The Special Commissioners, in determining any appeal on such a claim, shall have power to determine the rate at which relief is to be given, the amount of the relief to be given, and all questions whatsoever incidental to the determination of the matters as aforesaid.
- 6 (1) Any person who is entrusted with the payment of any interest, dividends or other annual payments which are payable to any persons in the United Kingdom out of the public revenue of the Republic of Ireland, or out of or in respect of the stocks, funds, shares or securities of any Republic of Ireland company, society, adventure or concern, shall be relieved from the obligation imposed on him under Schedule 5 to this Act, to pay income tax thereon on behalf of the persons entitled thereto as regards any such interest, dividends or other annual payments in respect of which he furnishes to the Board, in such form and subject to such conditions as they may prescribe, a list containing—
  - (a) a full description of the interest, dividends or other annual payments, and

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- (b) the name and address of each person who is entitled thereto, and
  - (c) the amount thereof to which each such person is entitled.
- (2) Any person entrusted with payment who, by virtue of sub-paragraph (1) above, is relieved from the obligation to pay income tax on interest, dividends or other annual payments, shall be entitled to the like remuneration to which, if he had paid tax thereon, he would have been entitled under paragraph 10 of Schedule 5 to this Act.
- (3) Any interest, dividends or other annual payments in respect of which the person entrusted with payment is relieved from the obligation to pay income tax by virtue of the said sub-paragraph (1) shall be assessable and chargeable under Case IV or Case V of Schedule D, as the case may be.
- (4) The Board may make such regulations as may be necessary for the purposes of this paragraph.

## SCHEDULE 13

Section 528.

### RETURNS OF TOTAL INCOME

First.—Declaration of the amount of profits or gains returned, or for which the person in question has been or is liable to be assessed.

Second.—Declaration of the amount of rents, interest, annuities or other annual payments, in respect of which the person in question is liable to allow the tax, with the names of the respective persons by whom such payments are to be made, distinguishing the amount of each payment.

Third.—Declaration of the amount of annuities or other annual payments (not being interest) to be made out of the property or profits or gains assessed on the person in question, distinguishing each source.

Fourth.—Statement of the amount of income derived according to the three preceding declarations.

Fifth.—Statement of any tax which the person in question may be entitled to deduct, retain or charge against any other person.

## SCHEDULE 14

Sections 84(4), 437(2) and 537.

### SAVINGS AND TRANSITORY PROVISIONS

#### *Personal reliefs: income accumulated under trusts*

- 1 The repeals made by this Act shall not be taken as affecting section 228 of the Income Tax Act 1952 or the limitation of that section by section 11(5) of the Finance Act 1969 (no relief for 1969-70 or later years of assessment), or by sections 400(4) and 406(6) of the Income Tax Act 1952 (settlements).

#### *Interest on debt secured on land in Scotland*

- 2 The repeals made by this Act shall not be taken as altering the effect of section 18(8) of the Finance Act 1969 or, so far as it relates to interest paid not later than 15th August 1970, of section 169(5) of the Income Tax Act 1952.



*Duration of leases*

- 3 (1) Subject to sub-paragraph (2) below, section 84 of this Act has effect—
- (a) as respects a lease granted after 12th June 1969, and
  - (b) so far as it relates to section 80(4) of this Act, as respects a variation or waiver of the contract for which is entered into after that date.
- (2) So far as relates to relief under—
- (a) section 171 or section 177(1) of this Act (carry forward of trading losses), or
  - (b) section 168(1) of this Act as applied by subsection (2) of the same section (set-off of trading loss against general income of succeeding year), or
  - (c) section 72(1) of this Act (sums deductible from rent), given by setting a loss against, or making a deduction from, income of—
    - (i) the year 1969-70 or any subsequent year of assessment, or
    - (ii) a company's accounting period ending after 5th April 1969,
- the said section 84 shall be deemed to have had effect as from the passing of the Finance Act 1963, and as respects leases granted at any time.
- (3) In applying sub-paragraph (2) above it shall be assumed—
- (a) that all relief which could not be affected by the operation of that sub-paragraph was given (for all years of assessment and accounting periods before or after the passing of this Act) before relief which could be affected by the operation of that sub-paragraph, and
  - (b) that, in particular, any loss which would not have been sustained if the said section 84 had always had effect was postponed to any other loss in giving relief against income of a year of assessment before the year 1969-70, or of a company's accounting period ending on or before 5th April 1969.

This sub-paragraph shall have effect notwithstanding the provisions of section 77 of this Act or any other enactment governing the order in which reliefs are given.

- (4) All such adjustments shall be made, whether by way of assessment or discharge or repayment of tax, as are required to give effect to the said section 84 with this paragraph.
- 4 (1) Where section 84 of this Act does not have effect, the following provisions of this paragraph shall apply in ascertaining the duration of a lease for the purposes of sections 80 to 82 of this Act.
- (2) Subject to sub-paragraph (4) below, where the terms of the lease include provision for the determination thereof by notice given either by the landlord or by the tenant, the lease shall not be treated as granted for a term longer than one ending at the earliest date on which it could be determined by notice.
- (3) Subject to sub-paragraph (4) below, where any of the terms of the lease (whether relating to forfeiture or to any other matter) or any other circumstances render it unlikely that the lease will continue beyond a date falling before the expiration of the term of the lease, the lease shall not be treated as having been granted for a term longer than one ending on that date.
- (4) Where the duration of a lease falls to be ascertained after the date on which the lease has for any reason come to an end, the duration shall be taken to have extended from its commencement to that date, and where the duration falls to be ascertained at a

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time when the lease is subsisting the preceding provisions of this paragraph shall be applied in accordance with circumstances prevailing at that time.

- (5) In relation to Scotland the expression " term " in this paragraph, where referring to the duration of a lease, means " period ".
- (6) This paragraph shall be construed as one with Part III of this Act.

*Allowance of interest as a business expense*

- 5 (1) In computing for the purposes of income tax for the year 1970-71 or any subsequent year of assessment the profits or gains arising from a trade, profession or vocation in a basis period falling wholly or partly before 6th April 1970, there may, subject to section 57(10) and section 130 of this Act, be deducted—
  - (a) the gross amount of any annual interest paid before that date under deduction of tax, and
  - (b) the amount of any interest paid to a bank, stockbroker or discount house relief for which was allowed under section 200 of the Income Tax Act 1952 for the year of assessment in which the payment was made, and
  - (c) the amount of any interest paid to a building society relief for which was allowed under section 445(3) of the Income Tax Act 1952 for the year of assessment in which the payment was made.
- (2) It is hereby declared that, subject to sub-paragraph (1) above, relief in respect of any payment of interest cannot be given both under the said section 200 and in computing the profits or gains of a trade, profession or vocation.
- (3) In this paragraph " basis period ", in relation to any year of assessment, means the period the profits or gains of which are taken into account in charging income tax under Case I or Case II of Schedule D on the profits or gains of the trade, profession or vocation for that year of assessment.
- (4) In this paragraph " building society " includes any company within section 445(6) of the Income Tax Act 1952.

*Repeal of section 136 of the Income Tax Act 1952:*  
*allowance of annual value of land as a business expense*

- 6 (1) This paragraph has effect for allowing deductions by reference to those which would have fallen to be made if section 136 of the Income Tax Act 1952 had applied for the years 1963-64 and 1964-65.
- (2) Subject to the provisions of this paragraph, an allowance under this paragraph shall be made to the person carrying on a trade where land which was occupied by him at any time before the end of the year 1962-63 for the purposes of the trade permanently ceases to be occupied by him for those purposes.
- (3) The amount of the allowance shall be the excess of—
  - (a) the aggregate of any deductions in respect of the annual value of the land which, by virtue of section 136 of the Income Tax Act 1952, would have been made in computing the profits or gains of the trade for the years 1963-64 and 1964-65 but for section 29(1) of the Finance Act 1963 and the repeal by that Act of the said section 136, over

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- (b) the aggregate of any deductions relating to the land made in computing the profits or gains of the trade for those years, being—
    - (i) deductions permitted by section 29(2) of the said Act of 1963, so far as made in respect of the period in respect of which the deductions mentioned in paragraph (a) above would have been made, or
    - (ii) deductions in respect of rent from which an amount representing tax was deducted under section 173 of the said Act of 1952, so far as made in respect of that period.
- (4) The allowance shall be made by—
  - (a) treating the amount of it as rent paid for the land by the said person (in addition to any actual rent), becoming due from day to day during the period defined in sub-paragraph (5) below, and
  - (b) allowing deductions accordingly in computing the profits or gains of the trade chargeable under Case I of Schedule D for any chargeable period the profits or gains for which fall to be computed by reference to a period including the period defined in sub-paragraph (5) below or any part thereof.
- (5) The said period is that ending when the land permanently ceases to be occupied by the said person for the purposes of the trade, and of a duration equal to the aggregate of—
  - (a) the number of months and fractions of months during which the land was occupied by him for the purposes of the trade in so much of the period by reference to which the profits or gains of the trade for the year 1963-64 fell to be computed as fell before the beginning of that year, and
  - (b) the number of months and fractions of months during which the land was so occupied in so much of the period by reference to which the profits or gains of the trade for the year 1964-65 fell to be computed as fell before the beginning of the year 1963-64.
- (6) No allowance shall be made under this paragraph where the date on which the land permanently ceases to be occupied by the said person for the purposes of the trade—
  - (a) falls within a chargeable period in which he permanently ceases to carry on the trade, or
  - (b) the said person not being a company, falls within a year of assessment and also within a period by reference to which the profits or gains of the trade for that year of assessment fall to be computed.
- (7) Where, by reason of a change in the persons carrying on the trade, the trade falls to be treated for any of the purposes of the Income Tax Acts as permanently discontinued, a person engaged in carrying on the trade immediately before the change occurred who continues to be so engaged immediately after it occurred shall be treated for the purposes of this paragraph as not having been in occupation of the land at any time before it occurred.
- (8) Where there has been a change in the persons carrying on the trade, but by virtue of section 154 of this Act, or section 17(1) of the Finance Act 1954 (company reconstructions before introduction of corporation tax), the trade does not by reason of the change fall to be treated for any of the purposes of the Income Tax Acts as permanently discontinued, this paragraph (including this sub-paragraph) shall apply as if any occupation of the land before the change occurred by the persons carrying on the trade immediately before it occurred were occupation by the persons carrying on the trade immediately after it occurred.

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- (9) Where section 252(1) of this Act (company reconstructions) applies, then for the purposes of this paragraph any occupation of land for the purposes of the trade by the predecessor shall be treated as having been the occupation of the successor. Subsection (6) of the said section 252 shall apply to this sub-paragraph as it applies to subsections (2) to (5) of that section, and in this sub-paragraph "predecessor" and "successor" have the same meaning as in that section.
- (10) Where section 352 of this Act (harbour reorganisation schemes) has effect, then for the purposes of this paragraph any occupation of land for the purposes of the trade by the transferor shall be treated as having been the occupation of the transferee.
- This sub-paragraph shall be construed as one with the said section 352, and as if it were referred to in subsection (1(3)(b) of that section.
- (11) The preceding provisions of this paragraph shall apply in relation to a profession or vocation as they apply in relation to a trade, but as if the reference in sub-paragraph (4) to Case I of Schedule D were a reference to Case II of that Schedule.

#### *Case VII of Schedule D*

- 7 (1) Section 164(3) of this Act (disallowance of interest in computing gains) shall not apply to interest paid in the year 1969-70, being—
- (a) bank, discount house or stock exchange interest paid in respect of any period ending before 1st July 1969, or
  - (b) interest on any debt incurred before 16th April 1969, not being bank, discount house or stock exchange interest,
- and shall not apply to interest paid before the year 1969-70.
- (2) In this paragraph "bank, discount house or stock exchange interest" means interest paid without deduction of tax in the United Kingdom on an advance from a bank carrying on a bona fide banking business in the United Kingdom, or from a person bona fide carrying on business as a member of a stock exchange in the United Kingdom, or bona fide carrying on the business of a discount house in the United Kingdom, and the reference to such interest in respect of a period ending before 1st July 1969 applies whether or not interest continues to run on or after that date.
- 8 Where, on or before 19th June 1969—
- (a) paragraph 7(2) of Schedule 7 to the Finance Act 1965 (transfer of business on amalgamation or reconstruction to be on a no-gain, no-loss basis in certain cases) applied on the transfer of the whole or part of a business to a body which is not a company as defined in section 526(5) of this Act (with section 354 of this Act), but
  - (b) all or any of the assets included in the transfer were not disposed of by that body,
- then any disposal by that body after that date of any of the assets referred to in paragraph (b) above shall be disregarded for the purposes of Chapter VIII of Part VI of this Act.

#### *Carry forward and backward of losses, etc.*

- 9 (1) The substitution of this Act for the corresponding enactments repealed by this Act shall not alter the effect of any provision enacted before this Act (whether or not

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there is a corresponding provision in this Act) so far as it determines whether and to what extent—

- (a) losses or expenditure incurred in, or other amounts referable to, a chargeable period earlier than those to which this Act applies may be taken into account for any tax purposes in a chargeable period to which this Act applies, or
- (b) losses or expenditure incurred in, or other amounts referable to, a chargeable period to which this Act applies may be taken into account for any tax purposes in a chargeable period earlier than those to which this Act applies.

(2) Without prejudice to sub-paragraph (1) above, the repeals made by this Act shall not affect the following enactments (which are not re-enacted):—

- (a) section 27(4) of the Finance Act 1952 (restrictions on removal of six year time limit on carry forward of trading losses),
- (b) section 29(3) of the Finance Act 1953 (Isles of Scilly),
- (c) section 17 of, and Schedule 3 to, the Finance Act 1954 so far as in force by virtue of the saving in Part IV of Schedule 22 to the Finance Act 1965, and section 80(8) of the Finance Act 1965 (which amends the said Schedule 3),
- (d) section 82(4) of the Finance Act 1965 (losses allowable against chargeable gains),
- (e) section 85 of the Finance Act 1965 (carry forward of surplus of franked investment income: dividends paid out of pre-1966-67 profits) and the enactments amending that section,
- (f) Part II of Schedule 15 to the Finance Act 1965 (introduction of corporation tax: continuity of loss relief and other matters),
- (g) paragraph 7 of Schedule 16 to the Finance Act 1965 (company ceasing to be overseas trade corporation by operation of Part IV of that Act),

in so far as those enactments may be relevant to tax for any chargeable period to which this Act applies.

#### *Interest paid by companies*

10 (1) Sections 248(6) and 300 of this Act shall not apply to interest paid in the year 1969-70, being—

- (a) bank, discount house or stock exchange interest paid in respect of any period ending before 1st July 1969, or
- (b) interest on any debt incurred before 16th April 1969, not being bank, discount house or stock exchange interest,

and as respects interest paid in the year 1969-70 which is within paragraph (a) or paragraph (b) above, subsection (2) of section 296 of this Act shall apply as if the words "not being interest" in that subsection were omitted.

(2) In this paragraph "bank, discount house or stock exchange interest" means interest paid without deduction of tax in the United Kingdom on an advance from a bank carrying on a bona fide banking business in the United Kingdom or from a person bona fide carrying on business as a member of a stock exchange in the United Kingdom, or bona fide carrying on the business of a discount house in the United Kingdom, and the reference to such interest in respect of a period ending before 1st July 1969 applies whether or not interest continues to run on or after that date.

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*Company reconstruction or amalgamation: transfer of assets*

- 11 The repeal by this Act of paragraph 7(2) of Schedule 7 to the Finance Act 1965, and of the other provisions re-enacted in section 267 of this Act, shall apply only where the transfer referred to in the said paragraph 7(2) takes effect after 5th April 1970.

*Meaning of "distributio"n for close companies*

- 12 Section 285 of this Act shall apply in relation to any accounting period ending after 5th April 1970 ; but for that purpose an accounting period beginning on or before, and ending after, 15th April 1969 shall be treated as two separate accounting periods the first of which ended with 15th April 1969, and in relation to the said first period paragraph 9(1)(a) of Schedule 11 to the Finance Act 1965 (which was superseded by the provisions re-enacted in the said section 285) shall apply notwithstanding the repeals made by this Act.

*Tax on close companies at standard rate of income tax*

- 13 (1) For the avoidance of doubt it is hereby declared that—
- (a) sections 286 to 288 of this Act come into force for the year 1970-71 and subsequent years of assessment, and
  - (b) section 289 of this Act, and the other provisions about close companies' shortfalls, come into force for accounting periods ending after 5th April 1970.
- (2) In the case of an accounting period beginning on or before 15th April 1969 the relief to be given under section 290(5) of this Act shall be subject to such adjustment, if any, as may be required by the proviso to paragraph 3(7) of Schedule 14 to the Finance Act 1969.

*Directors' remuneration: provisions repealed by Finance Act 1969*

- 14 (1) The repeal by this Act of section 28 of the Finance Act 1969 (which is not re-enacted in this Act) has effect only as respects accounting periods ending after 31st December 1970, and the following provisions of this paragraph have effect only as respects earlier accounting periods (and then only so far as the said section 28 applies to any such period).
- (2) The repeals made by this Act shall not affect—
- (a) in the Finance Act 1965, sections 74 and 89(5) (with the enactments applied by that subsection), and paragraph 6(3) of Schedule 18,
  - (b) in the Finance Act 1967 paragraph 9 of Schedule 11 as it applies to the said paragraph 6(3).
- (3) For the purposes of section 289 of this Act the distributions of a close company for an accounting period shall be taken to consist (in addition to the dividends and distributions mentioned in section 291(1) of this Act) of any amount by which the directors' remuneration paid for the period exceeds the deduction allowed for it in computing the company's income for the period.
- (4) No deduction shall be made under section 289(5) of this Act from the distributions for any accounting period so as to reduce those distributions below the amount of the directors' remuneration included in the distributions in computing them for the purposes of section 289.

- (5) At the end of section 298(2) of this Act (before the proviso) there shall be added the words " or amounts treated as such for the purposes of section 289 above ".
- 15 Any power which the Board may exercise under section 301 of this Act for the purposes of sections 296 to 300 may be exercised by the inspector for the purposes of section 74 of the Finance Act 1965.

*Close company's distributable income*

- 16 As respects accounting periods beginning before the year 1971-72, at the end of section 291(2)(a) of this Act insert "and
- (iii) any deduction made by virtue of section 87 of the Finance Act 1965 by way of allowance in respect of any source of income".

*Close companies: meaning of "associat"e*

- 17 (1) As respects any time before 15th April 1969 proviso (ii) to section 303(3) of this Act shall have effect as if after the words " individual in question " there were inserted " is not in receipt of remuneration from the company of more than £4,000 per annum and ".
- (2) In the amendment so made " remuneration " has the meaning given by paragraph 18(3) of Schedule 5 to the Finance Act 1966.

*Children's settlements: irrevocable dispositions made before 22nd April 1936*

- 18 (1) This paragraph shall not apply in relation to any settlement, as defined for the purpose of Chapter II of Part XVI of this Act, except a settlement made or entered into before 22nd April 1936 which, immediately before that date, was an irrevocable settlement within the meaning of the said Chapter II.
- (2) Subject to the provisions of this paragraph, any income which, by virtue or in consequence of any disposition made, directly or indirectly, by any person after 5th April 1914, is payable to or applicable for the benefit of a child of that person for some period less than the life of the child shall, if and so long as the child is an infant and unmarried, be deemed for all the purposes of the Income Tax Acts to be the income of the person, if living, by whom the disposition was made and not to be the income of any other person.
- (3) This paragraph shall not apply as regards any income which is derived from capital which, at the end of the period during which that income is payable to or applicable for the benefit of the child, is required by the disposition to be held on trust absolutely for, or to be transferred to, the child, or any income which is payable to or applicable for the benefit of a child during the whole period of the life of the person by whom the disposition was made.
- (4) Income shall not be deemed, for the purposes of this paragraph, to be payable to or applicable for the benefit of a child for some period less than its life by reason only that the disposition contains a provision for the payment to some other person of the income in the event of the bankruptcy of the child, or of an assignment thereof, or a charge thereon, being executed by the child.
- (5) In this paragraph, unless the context otherwise requires—

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" child " includes a stepchild or illegitimate child, and  
 " disposition " includes any trust, covenant, agreement or arrangement.

- (6) Sections 435 and 436 of this Act shall apply as if this paragraph were contained in Chapter I of Part XVI of this Act, and this paragraph, notwithstanding that it is referred to in Chapter II of Part XVI of this Act, shall not be construed as one with that Chapter.

*Cancellation of tax advantages and transfer of assets abroad*

- 19 (1) In paragraph A(a) of section 461 of this Act the reference to any exemption from tax shall, in relation to any distribution made after 29th April 1969, include a reference to any limitation (as well as any exemption) applied by section 31(2) of the Finance Act 1966 (transitory provisions for dividends paid to non-residents) to the amount of income tax under Schedule F chargeable in respect of a dividend.

This sub-paragraph shall be construed as one with Chapter I of Part XVII of this Act.

- (2) As respects years of assessment before the year 1966-67, in subsection (3) of section 481 of this Act, for the words from " The bodies corporate mentioned " to the end of that subsection there shall be substituted the words " The bodies corporate mentioned in the preceding provisions of this section are bodies corporate resident or incorporated outside the United Kingdom which are, or, if they were incorporated in the United Kingdom, would be, investment companies to which section 245 of the Income Tax Act 1952 applies ; and ' investment companies ' here has the meaning given by section 257 of that Act " .

*Dividend stripping and bond washing*

- 20 With respect to distributions made before 30th April 1969, the repeals made by this Act shall not affect section 65 of the Finance Act 1965 (dividend stripping), or any other enactment which, except with respect to such distributions, is repealed by Part IV of Schedule 21 to the Finance Act 1969, or section 31(4)(a) of the Finance Act 1966 (which amends the said section 65).

*Tax avoidance: provisions repealed by Finance Act 1969*

- 21 (1) This paragraph applies to the following provisions (which by virtue of section 32(15) of the Finance Act 1969 ceased to have effect as respects any transaction or event carried out or occurring on or after 15th April 1969).

The said provisions are—

- (a) in the Finance Act 1960, sections 21 to 24, all of section 25 except subsection (4), and section 26, and
  - (b) in the Finance Act 1962, sections 23 and 24 and in section 25 subsection (1) except so far as it relates to section 28, and subsection (2).
- (2) As respects transactions or events carried out or occurring before 15th April 1969 the repeals made by this Act shall not affect the said provisions, or any enactment relating to those provisions.
- (3) Relief under subsection (4) of the said section 21 of the Finance Act 1960 shall be given on the making of a claim to the Board, and any appeal on the claim shall be



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to the General Commissioners unless the appellant elects that it shall lie instead to the Special Commissioners.

- (4) For the purpose of section 292(1) of this Act any such amount as, in relation to a company, is directed by section 21(2), section 25(1) or section 26(2) of the Finance Act 1960, or section 24(11) of the Finance Act 1962, to be treated as investment income, shall be deemed to be income of the company and to be investment income, and references in any enactment to the definition of " trading company " in the said section 292(1) shall be construed accordingly.

*Disallowance of interest as a deduction*

- 22 As respects annual interest paid before 6th April 1970 on a debt incurred before 16th April 1969 section 519(1)(b) of this Act shall have effect as if the words " (not being interest)" in that paragraph were omitted.

*Transitional relief for companies existing in 1965 with overseas trading income*

- 23 (1) In section 84 of the Finance Act 1965 " trade " has the same meaning as in Part XI of this Act.
- (2) If under paragraph 3(4)(b) of Schedule 20 to the Finance Act 1965 the appropriate fraction of a loss incurred by one company is set off (for the purposes of subsection (3) of the said section 84) against the income of another company, any group relief in respect of that part of the loss shall be left out of account in any computation under the said subsection (3) as respects that other company or any other company.
- (3) In subsection (5) of the said section 84 the reference to section 48 of the Finance Act 1965 shall include a reference to section 256 of this Act, and in subsection (8) (b) of the said section 84 the reference to Part XIII of the Income Tax Act 1952 shall include a reference to Part XVIII of this Act.
- (4) In paragraph 3(4)(a) of Schedule 20 to the Finance Act 1965 the reference to section 62 of the Finance Act 1965 shall include a reference to sections 254 and 255 of this Act.

*Transitional relief for companies existing in 1965 on cessation of trade, etc.*

- 24 (1) In section 87(7) of the Finance Act 1965 the reference to section 430(1) of the Income Tax Act 1952 shall include a reference to section 316(1) of this Act.
- (2) In paragraph 3(8) of Schedule 21 to the Finance Act 1965 " control" shall be construed in accordance with section 302 of this Act, and the reference to Schedule 18 to the Finance Act 1965 shall be omitted.

*Investment allowances*

- 25 Nothing in the repeals made by this Act shall affect the operation of any enactment relating to investment allowances in respect of expenditure incurred before 17th January 1966, or in respect of such expenditure as is referred to in section 35(2) of the Finance Act 1966 (existing contracts)..

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*Capital allowances: free depreciation*

- 26 Nothing in the repeals made by this Act shall affect section 38 or section 39 of the Finance Act 1963, or any enactment supplementing or amending those sections, so far as those sections remain in force by virtue of the saving in Part V of Schedule 13 to the Finance Act 1966.

*Expired taxes*

- 27 (1) Nothing in the repeals made by this Act shall affect any enactment or instrument as it applies to or for the purposes of excess profits tax, excess profits levy, the profits tax or the special contribution.
- (2) Sub-paragraph (1) above shall not apply to—
- (a) section 504 of the Income Tax Act 1952 (re-enacted in section 105 of the Taxes Management Act 1970),
  - (b) paragraphs 9 and 10 of Schedule 6 to the Finance Act 1966 (re-enacted in section 39 of the said Act of 1970), or
  - (c) section 43 of the Finance Act 1967 (re-enacted in section 45 of the said Act of 1970).
- (3) Subsections (1) and (3) of section 45 of the Taxes Management Act 1970 shall not apply to proceedings under paragraph 9 of Schedule 7 to the Finance Act 1960 (profits tax penalties).
- (4) In section 105 of the said Act of 1970 " tax " shall include excess profits tax and the profits tax.

*Functions of the Minister for the Civil Service*

- 28 If and so far as any functions conferred on the Minister for the Civil Service by this Act, or by the Taxes Management Act 1970, are not comprised in the descriptions of functions transferred to the said Minister from the Treasury by the Minister for the Civil Service Order 1968, those functions shall be exercisable by the Treasury, and not by the said Minister.

*Validity of subordinate legislation*

- 29 So far as this Act or the Taxes Management Act 1970 re-enacts any provision contained in a statutory instrument made in exercise of powers conferred by any Act, it shall be without prejudice to the validity of that provision, and any question as to its validity shall be determined as if the re-enacted provision were contained in a statutory instrument made under those powers.

SCHEDULE 15

Section 537.

CONSEQUENTIAL AMENDMENTS

*Betterment levy*

- 1 In section 51 of the Land Commission Act 1967 (interest on betterment levy), after subsection (2) insert—

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“(2A) Interest payable to the Commission by virtue of this section at the rate determined by the Betterment Levy (Rate of Interest) (No. 2) Order 1969, or by any subsequent order under subsection (2) above, shall be paid without deduction of income tax.”.

*Reserved taxes for purposes of Government of Ireland Act 1920*

2 In the Government of Ireland Act 1920, after section 22(1) insert—

“(1A) This Act shall have effect as if the capital gains tax and corporation tax were included among the taxes mentioned in subsection (1) above.”

*Friendly societies and trade unions*

3 (1) In section 26(2) of the Finance Act 1956, for the words from the beginning to " ceases to be paid " substitute—

“(2) If, in the event of a dissolution of any registered friendly society or registered trade union, any approved annuity as defined in section 226(13) of the Income and Corporation Taxes Act 1970 ceases to be paid,”.

(2) For section 29(9) of the Finance Act 1966 substitute—

“(9) Part II of Schedule 8 to this Act shall be construed in accordance with subsections (2) and (3) of section 337 of the Income and Corporation Taxes Act 1970.”.

(3) For paragraph 5(4)(b) of Schedule 8 to the Finance Act 1966 substitute—

“(b) any approved annuities as defined in section 226(13) of the Income and Corporation Taxes Act 1970.”.

*Post-war credits*

4 In the Income Tax (Repayment of Post-War Credits) Act 1959, after section 1(6) insert—

“(6A) Notwithstanding any other enactment relating to summary jurisdiction, proceedings for an offence under subsection (6) above may be commenced at any time within three years from the time when the offence was committed.”

*Capital allowances*

5 (1) The Capital Allowances Act 1968 shall be amended as follows.

(2) In section 6(5)(a), for " Case VIII of Schedule D " substitute " Schedule A ".

(3) For section 12(3) substitute—

“(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 154 or 251(1) of the principal Act (changes in persons carrying on a trade, and special rules for corporation tax), is to be treated as equivalent to the discontinuance of the trade.”

(4) At the end of section 15 add—

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- “(4) Section 42 of the Taxes Management Act 1970 shall apply to any claim under this section for relief from corporation tax, but, without prejudice to section 71(3) of this Act, not to any other claim under this section.”
- (5) In section 48(1), for paragraphs (a) and (b) substitute " of section 154 or 251(1) of the principal Act (changes in persons carrying on a trade, and special rules for corporation tax) ".
- (6) In section 67(3), for the words from the beginning to " permanently discontinued " substitute—
- “(3) For the purposes of this section, a trade shall not be treated by virtue of section 154 or 251(1) of the principal Act (changes in persons carrying on a trade, and special rules for corporation tax) as permanently discontinued”.
- (7) In section 69, in the definitions of " agricultural income " and " forestry income", for " Case VIII of Schedule D" substitute " Schedule A ".
- (8) At the end of section 70(3) add—
- “Section 42 of the Taxes Management Act 1970 shall not apply to any such claim.”.
- (9) In section 71(3), for the words from "made to the inspector" to the end of the proviso substitute " (that is to say, a claim to which section 42 of the Taxes Management Act 1970 applies) ".
- (10) In section 74(3), for " may claim" substitute " may, on making a claim (to which section 42 of the Taxes Management Act 1970 applies), require ".
- (11) In section 74(4), for "Part IV of the Finance Act 1965 " substitute " the Corporation Tax Acts ".
- (12) In section 79(1), for paragraphs (a) and (b) substitute " of section 154 or 251(1) of the principal Act (changes in persons carrying on a trade, and special rules for corporation tax) ".
- (13) At the end of section 100 add—
- “(5) In this Act " the principal Act" means the Income and Corporation Taxes Act 1970.”.
- (14) In paragraph 8(1)(a) of Schedule 2, before " Schedule D" insert " Schedule A or ".

### *Chargeable gain*

- 6 (1) In section 39 of the Finance Act 1965—
- (a) in subsection (1), for " sections 347 and 348 of the Income Tax Act 1952 (double taxation relief and unilateral relief), with Schedules 16 and 17 to that Act" substitute " Chapters I and II of Part XVIII of the Income and Corporation Taxes Act 1970 as they apply for the purposes of income tax ",
  - (b) in subsection (2), for " the said section 347" substitute " section 347 of the Income Tax Act 1952 ",
  - (c) in subsection (3), for " the said provisions of the Income Tax Act 1952" substitute " the said Chapters I and II ", and for " those provisions of the Income Tax Act 1952 " substitute " those Chapters, " and

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- (d) in subsection (4), for "Section 353 of the Income Tax Act 1952" substitute "Section 518 of the Income and Corporation Taxes Act 1970".
- (2) In section 45(1) of the Finance Act 1965, insert the following definitions (after those of "company" and "control" respectively)—
- “close company” has the meaning given by sections 282 and 283 of the Income and Corporation Taxes Act 1970 ;”
- “inspector” means any inspector of taxes ;”.
- (3) At the end of paragraph 4 of Schedule 6 to the Finance Act 1965 add—
- “(3) Except as provided by section 269 of the Income and Corporation Taxes Act 1970 (companies: interest charged to capital), no payment of interest shall be allowable under this paragraph.”.
- (4) In paragraph 6(b) of Schedule 13 to the Finance Act 1967, for " paragraph 2(1) of Schedule 13 to that Act" substitute " section 273(1) of the Income and Corporation Taxes Act 1970 " ; and (in consequence), in paragraph 6(c) of that Schedule, for " that Act" substitute " the Finance Act 1965 ".
- (5) In paragraph 23(1) of Schedule 12 to the Finance Act 1968, for paragraph (b) substitute the following—
- “(b) ' group ' shall be construed in accordance with subsections (1) (without paragraph (a)), (3) and (4) of section 272 of the Income and Corporation Taxes Act 1970.”
- (6) In paragraph 22(3) of Schedule 19 to the Finance Act 1969, for " the said paragraph 7(2) of Schedule 7 " substitute " paragraph 7(2) of Schedule 7 to the Finance Act 1965 or section 267 of the Income and Corporation Taxes Act 1970 ".
- 7 Section 207 of this Act (residence) shall apply in relation to capital gains tax as it applies for the purposes mentioned in that section.

#### *Estate Duty*

- 8 In section 37(3) of the Finance Act 1958, for the reference to subsection (1) of that section substitute a reference to section 215(1) of this Act.
- 9 (1) In section 88(2) of the Finance Act 1965 (consequential amendments for estate duty), for the reference to Part IV of the Finance Act 1965 substitute a reference to the Corporation Tax Acts.
- (2) Nothing in this Act shall affect the operation of section 58(1) of the Finance Act 1940.

#### *General powers of amendment in Acts relating to overseas countries*

- 10 Where under any Act passed before this Act and relating to a country or territory outside the United Kingdom there is a power to affect Acts passed or in force before a particular time, or instruments made or having effect under such Acts, and the power would, but for the passing of this Act or the Taxes Management Act 1970, have included power to change the law which is reproduced in, or is made or has effect under, this Act or the said Taxes Management Act, then that power shall include power to make such provision as will secure the like change in the law reproduced in, or made or having effect under, this Act or the said Taxes

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Management Act, notwithstanding that neither Act is an Act passed or in force before that time.

*Translation of references to enactments repealed and re-enacted*

- 11 In the enactments specified in column 1 of the following Table, for the words in column 2 substitute the words in column 3, adding, except as otherwise indicated—
- (a) for those in Part I of the Table, " of the Taxes Management Act 1970 ", and
  - (b) for those in Part II, " of the Income and Corporation Taxes Act 1970 ", or, in the case of enactments contained in the Capital Allowances Act 1968, " of the principal Act ",
- (but in all cases saying " to ", instead of " of", if the substituted words refer to a Schedule rather than a section).

TABLE

**PART I**

<i>Enactment amended</i>	<i>Words to be replaced</i>	<i>Corresponding provision of the Taxes Management Act 1970</i>
<i>The Post Office Savings Bank Act 1954 (1954 c. 62)</i>		
In the Post Office Savings Bank Act 1954		
section		
10(2)	subsection (3) of section twenty-nine of the Income Tax Act 1952.	section 17(3).
<i>The Finance Act 1965 (1965 c. 25)</i>		
In the Finance Act 1965		
section		
45(1)	section 373 of the Income Tax Act 1952.	section 82.
Schedule 10 paragraph		
3(3)	section 7 or section 9(6) of the Income Tax Management Act 1964.	section 8 or 42(5).
4(1)	sections 495 to 497 of the Income Tax Act 1952 as applied by this Schedule.	Part IX (except sections 87 and 88).
<i>The National Insurance Act 1965 (1965 c. 51)</i>		
In the National Insurance Act 1965		
section		
15(3)	Sections 46 and 47 of the Finance Act 1960.	Section 98.
<i>The Finance Act 1966 (1966 c. 18)</i>		

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<i>Enactment amended</i>	<i>Words to be replaced</i>	<i>Corresponding provision of the Taxes Management Act 1970</i>
In the Finance Act 1966		
Schedule 6		
paragraph		
23(3)	Section 50 of the Finance Act 1960.	Section 99.
23(4)	Sections 47(3) and 48(3) of the Finance Act 1960. the said section 47.	Subsections (1) and (2) of section 97. section 95 of that Act (without adding more words).
23(5)	Section 58 of the Finance Act 1960.	Section 88.
<i>The National Insurance Act (Northern Ireland) 1966 (1966 c. 6 (N.I.))</i>		
In the National Insurance Act (Northern Ireland) 1966		
section		
14(3)	Sections 46 and 47 of the Finance Act 1960.	Section 98.
<i>The Finance Act 1968 (1968 c. 44)</i>		
In the Finance Act 1968		
section		
43(11)	Part III of the Finance Act 1960.	Part X.
column 2 of Schedule 6 to that Act	column 1 of the Table in section 98 of that Act (without adding more words).	
the said Part III	the said Part X (without adding more words).	
46(4)	section 9 of the Income Tax Management Act 1964.	section 42.
50(4)	Part III of the Finance Act 1960. column 2 of Schedule 6 to that Act the said Part III.	Part X. column 1 of the Table in section 98 of that Act (without adding more words). the said Part X (without adding more words).

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**PART II**

<i>Enactment amended</i>	<i>Words to be replaced</i>	<i>Corresponding provision of this Act</i>
<i>The Finance Act 1952 (1952 c. 33)</i>		
In the Finance Act 1952		
section		
30(4)	section one hundred and fifty-seven of the Income Tax Act 1952 (or section one of the Income Tax (Employments) Act 1943).	section 204.
<i>The Ministerial Salaries and Members' Pensions Act 1965 (1965 c. 11)</i>		
In the Ministerial Salaries and Members' Pensions Act 1965		
section		
13(1)(a)	section 379 of the Income Tax Act 1952.	section 208.
<i>The Finance Act 1965 (1965 c. 25)</i>		
In the Finance Act 1965		
section		
20(2) proviso.	Part XHI of the Income Tax Act 1952.	Part XVIII.
21(2)	section 525(1)(b) of the Income Tax Act 1952.	section 530(1)(b).
	Part VIII of the Income Tax Act 1952.	Chapter II of Part I.
	sections 219 and 225.	sections 19 and 20 (without adding more words).
27(2)	section 17(6) of this Act.	section 166(1).
34(6)	paragraph 8 of Schedule 18 to this Act.	section 292(1).
37(1)	section 67 of this Act.	section 357.
38(2)	section 36(1) of this Act.	section 208(2).
	provisions of section 67.	provisions of section 357.
	within section 67(1) of this Act.	an authorised unit trust within the meaning of section 358.
41(5)(c)	section 50(2)(6) of this Act.	section 246(2)(b).



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<i>Enactment amended</i>	<i>Words to be replaced</i>	<i>Corresponding provision of this Act</i>
42(7)	the same meanings as in Chapter HI of Part XVUI of the Income Tax Act 1952.	the meanings given by section 454(3).
45(1)	paragraph 3 of Schedule 18 to this Act.	section 302.
	section 423(4) of the Income Tax Act 1952.	section 432(4).
	section 143(4) of the Income Tax Act 1952 as extended by section 35(5) of the Finance Act 1960.	section 137(4).
45(3)	section 361(1)(2) of the Income Tax Act 1952.	section 42(1)(2).
45(6)	section 24 of the Finance Act 1953.	subsections (4) to (7) of section 122.
	it would apply for purposes of section 132(3) of the Income Tax Act 1952.	they would apply for purposes of subsection (3) of the said section 122 (without adding more words).
45(7)(c)	section 147 of the Income Tax Act 1952.	section 153(1)(2).
45(8)	authorised unit trust scheme within the meaning of section 71 of the Finance Act 1960.	authorised unit trust within the meaning of section 358.
93(6)	section 43 of the Finance Act 1963.	section 341.
94(1)	section 12(5) of the Finance Act 1962.	section 163(1).
94(3)	Chapter II of Part II of the Finance Act 1962.	Chapter VIII of Part VI.
Schedule 6		
paragraph		
3(2)(a)	Schedule 9 to the Finance Act 1962.	Schedule 7.
3(3)(a)	the said Schedule 9.	the said Schedule 7 (without adding more words).

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<i>Enactment amended</i>	<i>Words to be replaced</i>	<i>Corresponding provision of this Act</i>
3(4)	the said Schedule 9.	the said Schedule 7 (without adding more words).
3(7)	section 13(3) of the Finance Act 1962. section 13(5).	section 164(4). section 164(6) (without adding more words).
6(4)(a)	section 313 of that Act.	section 79(1).
6(4)(b)	paragraph 16 of Schedule 4 to the Finance Act 1963.	section 76.
6(4)(c)	section 22 of the Finance Act 1954.	section 141.
18(1)	section 249 of the Income Tax Act 1952 (under which, as extended by section 78(7) of this Act, individuals may be assessed to surtax in respect of sums apportioned under Chapter III of Part IX of the Income Tax Act 1952 or under Part IV of this Act).	section 297 (consequences of apportioning close company's income for purposes of surtax).
18(2)	subsection (5) of the said section 249.	subsection (8) of the said section 297 (without adding more words).
18(5)	the said section 249.	the said section 297 (without adding more words).
26(5)	Schedule 9 to the Finance Act 1962.	Schedule 7.
Schedule 7 paragraph		
2(4)	Schedule 9 to the Finance Act 1962.	Schedule 7.
21(3)	section 411(4) of the Income Tax Act 1952. Chapter III of Part XVIII of the Income Tax Act 1952).	section 454. subsection (3) of the said section 454) (without adding more words).

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<i>Enactment amended</i>	<i>Words to be replaced</i>	<i>Corresponding provision of this Act</i>
Schedule 8		
paragraph		
5(1)	section 22 of the Finance Act 1963.	section 80.
5(2)	the said section 22.	the said section 80 (without adding more words).
5(3)	section 22(6) of the said Act.	subsection (6) of the said section 80 (without adding more words).
5(4)	section 24 of the Finance Act 1963.	section 82.
5(5)	section 22 of the Finance Act 1963.	section 80.
5(6)	Chapter II of Part II of the Finance Act 1963.	Part III.
6(1)	paragraph 9(1) of Schedule 4 to the Finance Act 1963.	section 83(2).
6(2)	section 23 of the Finance Act 1963.	section 81.
6(3)	section 24(2)(6) of the Finance Act 1963.	section 82(2)(6).
7	section 22(2) of the Finance Act 1963.	section 80(2).
9(2)	section 17 of the Finance Act 1964.	section 492.
Schedule 10		
paragraph		
3(4)	Section 359 (collection from wife of tax assessed on husband attributable to her income) and section 360 (right of husband to disclaim liability for tax on deceased wife's income) of the Income Tax Act 1952.	Section 40 (collection from wife of tax assessed on husband attributable to her income) and section 41 (right of husband to disclaim liability for tax on deceased wife's income).
<i>The National Insurance Act 1965 (1965 c. 51)</i>		
In the National Insurance Act 1965		

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<i>Enactment amended</i>	<i>Words to be replaced</i>	<i>Corresponding provision of this Act</i>
section		
15(1)	section 157 (pay as you earn) of the Income Tax Act 1952.	section 204 (pay as you earn).
15(2)(b)	the said section 157.	the said section 204 (without adding more words).
15(3)	the said section 157.	the said section 204 (without adding more words)

*The National Insurance Act (Northern Ireland) 1966 (1966 c. 6 (N.I.))*

In the National Insurance Act (Northern Ireland) 1966

section

14(1)	section 157 (pay as you earn) of the Income Tax Act 1952.	section 204 (pay as you earn).
14(2)(b)	the said section 157.	the said section 204 (without adding more words).
14(3)	the said section 157.	the said section 204 (without adding more words).

*The Land Commission Act 1967 (1967 c. 1)*

In the Land Commission Act 1967

Schedule 13

paragraph

5(8)(b)	Chapter III of Part XVUI of the Income Tax Act 1952.	section 454(3).
5(8)(c)	paragraph 3 of Schedule 18 to the Finance Act 1965.	section 302.

*The Forestry Act 1967 (1967 c. 10)*

In the Forestry Act 1967

Schedule 1

paragraph

9(2)(b)	section 384 of the Income Tax Act 1952.	section 210.
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*The Housing Subsidies Act 1967 (1967 c. 29)*

*Status: This is the original version (as it was originally enacted).*

<i>Enactment amended</i>	<i>Words to be replaced</i>	<i>Corresponding provision of this Act</i>
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In the Housing Subsidies Act 1967

section

26(4)	section 43 of the Finance Act 1963.	section 341.
	subsection (1)(0) of the said section 43.	section 341(1)(0).
	paragraph 2 of Schedule 10 to the said Act of 1963.	section 341(10).
32(1)	section 43 of the Finance Act 1963.	section 341.

*The Finance Act 1967 (1967 c. 54)*

In the Finance Act 1967

Schedule 13

paragraph

5(1)	paragraph 2(1) of Schedule 13 to that Act.	section 273(1).
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Schedule 14

paragraph

8(b)	paragraph 2(1) of Schedule 13 to that Act.	section 273(1).
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*The Provisional Collection of Taxes Act 1968 (1968 c. 2)*

In the Provisional Collection of Taxes Act 1968

section

5(1)(c)	section 49(6) of the Finance Act 1965.	section 243(6).
5(2)	the said section 49(6) and section 492 of the Income Tax Act 1952.	the said section 243(6) and section 522.

*The Capital Allowances Act 1968 (1968 c. 3)*

In the Capital Allowances Act 1968

section

15(3)	section 59 of the Finance Act 1965.	section 178.
	section 59 (twice).	section 178 (without adding more words).
33(2)(6)	Chapter II of Part VI of the Income Tax Act 1952.	Chapter II of Part VIII.

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*Status: This is the original version (as it was originally enacted).*

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<i>Enactment amended</i>	<i>Words to be replaced</i>	<i>Corresponding provision of this Act</i>
34(3)	Chapter II of Part VI of the Income Tax Act 1952.	Chapter II of Part VIII.
34(4)	Chapter II of Part VI of the Income Tax Act 1952.	Chapter II of Part VIH.
47(4)	paragraph 2 of Schedule 2 to the Finance Act 1956.	section 189(2).
48(6)(a)	section 19 of the Finance Act 1953.	section 154.
60(10)	Schedule 9 to the Finance Act 1963	section 134.
	paragraph 5 of that Schedule.	subsection (5) of the said section 134 (without adding more words).
60(11)	section 127 of the Income Tax Act 1952.	section 115.
67(3)	section 61(2) of the Finance Act 1965.	section 252(2).
69	section 125 of the Income Tax Act 1952.	section 111.
70(5)	section 20 of the Finance Act 1954.	section 169.
72(2)	section 127 of the Income Tax Act 1952.	section 115.
79(4)	section 19 of the Finance Act 1953.	section 154.
80(3)(b)	section 342 of the Income Tax Act 1952 or section 58(1) of the Finance Act 1965.	section 171 or 177(1).
82(1)	Chapter I of Part VII of the Income Tax Act 1952.	section 52 or 53.
82(2)	section 15(1)(c) of the Finance Act 1965.	section 411(1)(c).
85(4)	section 125 of the Income Tax Act 1952.	section 111.
90	section 137 of the Income Tax Act 1952.	section 130.
91(3)	section 127 of the Income Tax Act 1952.	section 115.
100(2)	section 63(5) of the Finance Act 1965.	section 250(5).

*Status: This is the original version (as it was originally enacted).*

<i>Enactment amended</i>	<i>Words to be replaced</i>	<i>Corresponding provision of this Act</i>
Schedule 2		
paragraph		
8(1)(c)	section 72(2) of the Finance Act 1960.	section 78(1) or 306(1).
Schedule 10		
paragraph		
1(5)	section 127 of the Income Tax Act 1952.	section 115.
<i>The Finance Act 1968 (1968 c. 44)</i>		
In the Finance Act 1968		
section		
23(3)	subsection (1) above (twice).	section 236(1).
Schedule 11		
paragraph		
1(4)(b)	paragraph 2(1) of Schedule 13 to that Act.	section 273(1).
2(5)	paragraph 1 of Schedule 13 to the Finance Act 1965.	subsections (1) and (2) of section 272.
Schedule 12		
paragraph		
3(3)	section 26(2) of the Finance Act 1952.	section 140(2).
10(2)(b)	Schedule 9 to the Finance Act 1962.	Schedule 7.
11(4)	section 13(4) of the Finance Act 1962.	section 164(5).
11(6)	section 13(8)0 of the Finance Act 1962.	section 164(9)0.
12(2)	paragraph 18(1) of Schedule 9 to the Finance Act 1962.	paragraph 21(1) of Schedule 7.
22(2)	Part I of Schedule 13 to the Finance Act 1965 (group of companies resident in the United Kingdom) without paragraph 1 (definition of company and group)	Sections 273 to 275 and 276(1).

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<i>Enactment amended</i>	<i>Words to be replaced</i>	<i>Corresponding provision of this Act</i>
22(3)	and without paragraph 7 (recovery of tax), Paragraphs 18 and 19 above shall apply for the said purposes as if for any reference in those paragraphs.	Sections 278 and 279 of the said Act shall apply for the said purposes as if for any reference therein (without adding more words).
<i>The Finance Act 1969 (1969 c. 32)</i>		
In the Finance Act 1969		
section		
52(1)	section 9 of the Finance Act 1956.	section 414.
58(1)(a)	section 157 of the Income Tax Act 1952.	section 204.
Schedule 18		
paragraph		
4(3)	Schedule 9 to the Finance Act 1962.	Schedule 7.
Schedule 19		
paragraph		
10(1)(b)	paragraph 2 of Schedule 13 to that Act.	section 273(1).
15(1)(7)	Chapter II of Part II of the Finance Act 1962.	Chapter VIII of Part VI.
<i>The Trustee Savings Banks Act 1969 (1969 c. 50)</i>		
In the Trustee Savings Banks Act 1969		
section		
82(3)	section 384 of the Income Tax Act 1952.	section 210.

*Amendments converting references about capital allowances to references to the Capital Allowances Act 1968*

12 (1) In Schedule 6 to the Finance Act 1965—

- (a) in paragraph 2(2), for " Part X or Part XI of the Income Tax Act 1952 (capital allowances)" substitute " the Capital Allowances Act 1968 (including the provisions of the Income and Corporation Taxes Act 1970 which under that Act are to be treated as contained in the said Act of 1968) ",
- (b) in paragraph 6(3), for " Schedule 14 to the Income Tax Act 1952" substitute " Schedule 7 to the Capital Allowances Act 1968 ", and for " paragraph 6 or



- paragraph 7 of Schedule 6 to the Finance Act 1952 " substitute " section 35(2) to (4) or section 48(2) of that Act ",
- (c) in paragraph 6(4)(a), for "Part X or Part XI of the Income Tax Act 1952" substitute " the Capital Allowances Act 1968 (including the provisions of the Income and Corporation Taxes Act 1970 which under that Act are to be treated as contained in the said Act of 1968) " , and
- (d) in paragraph 6(6), for " section 296 of the Income Tax Act 1952 " substitute " section 40 of the Capital Allowances Act 1968 ".
- (2) In section 99(1) of the Capital Allowances Act 1968 (construction of future enactments) after " past or future " insert " (including any amendment made by any such provision in any enactment or instrument passed or made before the passing of this Act) ".

*Regulations about double taxation relief*

- 13 In Regulation 6 of the Double Taxation Relief (Taxes on Income) (General) Regulations 1966, the references to section 170 of the Income Tax Act 1952 shall include a reference to section 54 of this Act.

## SCHEDULE 16

Section 538(1).

## REPEALS

Chapter	Short title	Extent of repeal
15 & 16 Geo. 6 and 1 Eliz. 2. c. 10.	The Income Tax Act 1952.	The whole Act.
15 & 16 Geo. 6 and 1 Eliz. 2. c. 33.	The Finance Act 1952.	Part III, except section 30. Sections 67 and 70. Section 76(4). In Schedule 6, Part II, and paragraph 18(2).
1 & 2 Eliz. 2. c. 34.	The Finance Act 1953.	Part III. In section 35, subsection (4)(a)(6).
2 & 3 Eliz. 2. c. 32.	The Atomic Energy Authority Act 1954.	Section 6(2).
2 & 3 Eliz. 2. c. 44.	The Finance Act 1954.	Part III, except section 15. Section 35(4). Schedules 2 to 4.
2 & 3 Eliz. 2. c. 62.	The Post Office Savings Bank Act 1954.	In section 10(2), the words " by a post office savings bank ".
3 & 4 Eliz. 2. c. 15.	The Finance Act 1955.	The whole Act.

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Chapter	Short title	Extent of repeal
4 & 5 Eliz. 2. c. 17.	The Finance (No. 2) Act 1955.	The whole Act.
4 & 5 Eliz. 2. c. 54.	The Finance Act 1956.	Part II, but, in the case of section 19, only as respects deaths occurring after 3rd June 1969.  Part III except section 26(2).  In section 40, subsection (1) except paragraph (b); subsection (3); and subsection (6).  In section 41, the words "Part XIX of the Income Tax Act 1952, and".  Section 44(3).  Schedules 2 and 3.
5 & 6 Eliz. 2. c. 48.	The Electricity Act 1957.	Section 24.
5 & 6 Eliz. 2. c. 49.	The Finance Act 1957.	Part III.  Section 42(2)(c).
6 & 7 Eliz. 2. c. 56.	The Finance Act 1958.	Part III.  Section 37(1), and, in section 37(4), the words "employment in the public services of an overseas territory and to".  Section 40(2)(c).  Schedules 5 and 6.
6 & 7 Eliz. 2. c. 72.	The Insurance Companies Act 1958.	In section 33(1), the definition of "life assurance business".
7 & 8 Eliz. 2. c. 58.	The Finance Act 1959.	Part III.  Section 37(2)(c).  Schedules 4 to 7.
8 & 9 Eliz. 2. c. 44.	The Finance Act 1960.	Parts II and III.  Sections 68 to 72.  In section 73, in subsection (1), the words "income tax and from"; in subsection (3), the words "either of income tax or" and the proviso; in subsection (6),

Chapter	Short title	Extent of repeal
		paragraph (b) and the word "and" preceding it.
8 & 9 Eliz. 2. c. 58.	The Charities Act 1960.	In section 79, subsection (2), from " and in Part II" to the end; and subsection (3)(6). Schedules 4 to 7.
9 & 10 Eliz. 2. c. 36.	The Finance Act 1961.	In Schedule 6, the entry relating to Schedule 8 to the Income Tax Act 1952. Part II.
10 & 11 Eliz. 2. c. 44.	The Finance Act 1962.	In section 37, subsection (2) from "and in Part II" to the end; and subsection (3) from " and Part II " to the end. Part II.
1963 c. 24.	The British Museum Act 1963.	In section 34(2), the words from " Part II" to the second " the profits tax ". Schedules 9 and 10.
1963 c. 25.	The Finance Act 1963.	In Schedule 2, paragraph 3 from the beginning to " Trustees of the British Museum and ". Part II.
1964 c. 37.	The Income Tax Management Act 1964.	In section 73, subsection (3) from " and in Part II" to the end, and subsection (4) from " Part II" to " Income Tax Acts ". Schedules 4 to 10, and Part I (except paragraph 1) of Schedule 12.
1964 c. 49.	The Finance Act 1964.	The whole Act. Part II.
		Section 26(3) from "and Part II" to the end. Schedule 7.
1964 c. 92.	The Finance (No. 2) Act 1964.	In Schedule 8, paragraphs 4 to 7. Section 1.

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Chapter	Short title	Extent of repeal
1965 c. 4.	The Science and Technology Act 1965.	Section 10(2) from the beginning to " Income Tax Acts and ".
1965 c. 11.	The Ministerial Salaries and Members' Pensions Act 1965.	In Schedule 2, the entry relating to section 449(1)(a) of the Income Tax Act 1952.
1965 c. 25.	The Finance Act 1965.	Sections 4(5), 13(2) and 18. In Schedule 4, the entry relating to section 385(2) of the Income Tax Act 1952. Part II, except section 17(15). In section 20(3), the words " and subject to section 82 of this Act". In section 35, subsection (2) from " notwithstanding " to " assessments"; and subsections (3) to (5). Section 36. Section 37, except subsection (1). In section 41, in subsection (1)(b), the words " as denned by Schedule 18 to this Act"; and in subsection (9), the words " as defined in Schedule 18 to this Act". In section 44, subsections (6) to (8). Section 45(11). Sections 46 to 83. In section 84(7), the words " to the inspector" and " to his satisfaction ", and from " Section 9 " to the end. Sections 85, 86 and 89. In section 94, subsections (4) to (8). Section 96. Section 97(2).

Chapter	Short title	Extent of repeal
1966 c. 18.	The Finance Act 1966.	<p>In Schedule 6, paragraph 29(4).</p> <p>In Schedule 7, paragraph 7(2); and in paragraph 18, the words " as defined in Schedule 18 to this Act" in sub-paragraph (1), and the words " as so defined " in sub-paragraph (3).</p> <p>In Schedule 10, paragraphs 1 and 2, and 5 to 11; paragraph 12(2) from " but the provisions " to the end; and paragraphs 14, 16, 17 and 18.</p> <p>Schedules 11 to 19.</p> <p>In Schedule 21, in paragraph 2(2)(a), the words " (within the meaning of Schedule 14 to this Act)"; and paragraph 3(8) from " (control" to the end.</p> <p>Part II.</p> <p>Sections 26 and 28.</p> <p>In section 29, subsections (1) to (3) ; subsection (4) from " and so much" to the end; subsections (5) to (8); subsections (10) and (11); and in subsection (12), paragraphs (a) and (c).</p> <p>Section 30.</p> <p>Sections 33 and 34.</p> <p>Part IV.</p> <p>In section 45, subsections (1) to (4) ; subsection (6) from the definition of "limited liability company " to the end; and subsection (7).</p> <p>Sections 49 to 51.</p> <p>So much of section 53(2) as relates to Parts II and IV of the Act.</p>

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Chapter	Short title	Extent of repeal
1967 c. 17. 1967 c. 54.	The Iron and Steel Act 1967. The Finance Act 1967.	<p>Schedules 4 to 7, except paragraph 19 of Schedule 5 and paragraphs 14 and 23 of Schedule 6.</p> <p>Part I of Schedule 8.</p> <p>In Schedule 10, paragraphs 3, 14 and 15.</p> <p>Schedule 12.</p> <p>Section 26(8)(b).</p> <p>Parts II and III.</p> <p>In section 34(1), from "allowance " to " and ".</p> <p>In section 35, subsections (1) and (4).</p> <p>Section 36.</p> <p>Section 37, from " and a sum so payable " to the end.</p> <p>In section 38, subsections (1) to (3); and, in subsection (6), from the first " for " to " years, and ".</p> <p>Sections 39 to 41.</p> <p>Section 43.</p> <p>In section 45(3), paragraphs (d) and (e), and paragraph (h) from first " with " to " income tax, and ".</p> <p>Schedules 10 and 11.</p> <p>In Schedule 13, paragraph 7 and Part II.</p> <p>In Schedule 14, paragraph 7(4).</p> <p>In Schedule 15, paragraph 1.</p>
1968 c. 3.	The Capital Allowances Act 1968.	<p>In section 47(4), the words from the beginning to " this Act".</p> <p>In section 70(5), the words from the beginning to " this Act".</p> <p>In section 81(1), the words (after paragraph (c)) "against</p>

Chapter	Short title	Extent of repeal
		an assessment under Schedule D ".  In section 82, in subsection (1), the words " interest and other "; and in subsection (2), the words from the beginning to the first " this Act".  In section 87(1), the definition of " company ".  In section 94(2), the definition of " company ".  Section 98(2).  Schedule 12.  Section 16(5).
1968 c. 13.	The National Loans Act 1968.	
1968 c. 44.	The Finance Act 1968.	Sections 11 to 22.  In section 23, subsections (1) and (2); in subsection (3), paragraph (b), the word " and " preceding that paragraph, and the words " and the proviso to the said paragraph 10(3)"; and subsections (4) and (5).  Sections 24 to 30.  Section 33.  In section 34, the words " and Schedule 13 to this Act (tax on short-term capital gains)".  In section 40, subsections (4) to (7); paragraphs (b) and (c) of subsection (8); and subsection (9).  In section 53, subsection (1) from the beginning to " 1952 and "; and subsection (2) from " and in particular " to the end.  Section 61(4).  Schedules 8 to 10.  In Schedule 12, paragraphs 13, 15(3) and 18 to 21;

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Chapter	Short title	Extent of repeal
1968 c. 73. 1969 c. 32.	The Transport Act 1968. The Finance Act 1969.	<p>and, in paragraph 23, sub-paragraph (1)(c), and sub-paragraphs (2) to (6).</p> <p>Schedule 13.</p> <p>Section 161(2).</p> <p>Part II, except subsections (1) and (2) of section 16.</p> <p>In section 41, subsections (4) to (6).</p> <p>Section 53.</p> <p>Section 61(3)(c).</p> <p>Schedules 13 to 16.</p> <p>In Schedule 17, paragraph 21 of Part III as respects deaths occurring after 3rd June 1969.</p> <p>Part II of Schedule 18.</p> <p>In Schedule 19, paragraph 3(2); in paragraph 6(1), the words "and section 16(1) of the Finance Act 1962"; in paragraph 8(3), the words " and of the proviso to section 12(6) of the Finance Act 1962"; in paragraph 9, the words " and in Chapter II of Part II of the Finance Act 1962 "; paragraph 11(2); paragraph 13; paragraph 16(6); paragraphs 18 to 21; and sub-paragraphs (1) and (2) of paragraph 22.</p> <p>Schedule 20, except paragraphs 11, 26 and 28(2), and paragraph 30(4) in its application to paragraph 11.</p>
1969 c. 48.	The Post Office Act 1969.	<p>In section 109, the words from " and, accordingly " to the end.</p> <p>In Part III of Schedule 6, the entries relating to section 29 of the Income Tax Act 1952, section 9 of the Finance Act 1956 and section 20 of the Finance Act 1966.</p>



Chapter	Short title	Extent of repeal
<a href="#">1969 c. 50.</a>	The Trustee Savings Banks Act 1969.	Paragraph 21 of Schedule 9. Subsections (1) and (2) of section 93.
1970 c. .	The Radiological Protection Act 1970.	Section 2(7).
	<i>Statutory Instrument</i>	
<a href="#">S.I. 1969 No. 535.</a>	The Income Tax (Interest on Unpaid Tax) Order 1969.	The whole Order.