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SCHEDULES

SECOND SCHEDULE

PROVISIONS SUPPLEMENTARY TO S. 16 (NEW PROVISION FOR "INVESTMENT ALLOWANCES")

PART I

Withholding and withdrawal of allowances

- 1 (1) If, in the case of any expenditure, any such event as is mentioned in the next following sub-paragraph occurs within the relevant period, no investment allowance shall be made in respect of the expenditure or, if an allowance has been made before the occurrence of the event, it shall be withdrawn.
- (2) The events referred to in the foregoing sub-paragraph are—
- (a) any sale of the property representing the expenditure made by the person incurring the expenditure or an associate of his, where the buyer is a person not resident in the United Kingdom and not buying the property for a chargeable purpose or for scrap;
 - (b) any change of residence of the person incurring the expenditure or an associate of his whereby the purpose to which the property representing the expenditure is for the time being appropriated ceases to be a chargeable purpose;
 - (c) any appropriation of the property representing the expenditure made by the person incurring the expenditure or an associate of his to a purpose other than a qualifying purpose;
 - (d) any sale or transfer of the property representing the expenditure made by the person incurring the expenditure or an associate of his otherwise than to a person acquiring the property for a qualifying purpose, where it appears with respect to the sale or transfer that it is one in contemplation of which the expenditure was incurred;
 - (e) any sale, transfer or other dealing with the property representing the expenditure by the person incurring the expenditure or an associate of his, being a case where it appears either—
 - (i) that the expenditure was incurred in contemplation of the property being so dealt with; or
 - (ii) that the sole or main benefit which accrued from that person's incurring the expenditure and the property being so dealt with was or derived from the investment and other allowances in respect of the property;
- and not being a case where it is shown either that the purpose of obtaining tax allowances was not the sole or main purpose of that person's incurring the expenditure or of the property being so dealt with, or that his incurring the expenditure and the property being so dealt with were bona fide

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business transactions and were not designed for the purpose of obtaining tax allowances;

- (f) where, in the case of a road vehicle, the qualifying purpose requires it to be used wholly or mainly for hire to or the carriage of members of the public, any sale or transfer of the vehicle not made to a person acquiring it for a qualifying purpose or as scrap, and any appropriation of it to a purpose other than a qualifying purpose.

- (3) The relevant period in relation to any such event as aforesaid shall be three years, except that in relation to a sale or transfer falling within paragraph (d), or a sale, transfer or other dealing falling within paragraph (e), of the last foregoing sub-paragraph the relevant period shall be five years.

- (4) Where an investment allowance in respect of any expenditure is withheld or withdrawn under this paragraph otherwise than by reason of a sale or transfer, such initial allowance (if any) as might have been made in respect of that expenditure but for section sixteen of this Act shall be made.

- 2 Where an investment allowance is made or falls to be made in respect of expenditure on machinery or plant, and the machinery or plant is sold by the person incurring the expenditure or an associate of his, then if either—

- (a) the buyer is an associate of the person incurring the expenditure; or
- (b) it appears with respect to the sale either—
 - (i) that it is one in contemplation of which the expenditure was incurred; or
 - (ii) that the sole or main benefit which, apart from this paragraph, might have been expected to accrue to the parties or any of them would have been or have derived from the allowances (whether investment allowances or initial allowances) obtained or to be obtained in respect of the machinery or plant sold or any machinery or plant by which it is or is to be replaced;

the buyer shall not be entitled to an initial allowance, unless the investment allowance is withheld or withdrawn under the foregoing paragraph.

- 3 (1) The person incurring any expenditure in respect of which an investment allowance has been made and has not been withdrawn shall give notice to the surveyor, if to his knowledge any of the following events occurs at any time before the expiration of the three years beginning with the date when the expenditure was incurred, that is to say.—

- (a) the property in respect of which it is incurred is sold by him or an associate of his to a person not resident in the United Kingdom, or the property being situated outside the United Kingdom is sold by him or an associate of his to any person; or
- (b) the property is appropriated by him or an associate of his to a purpose other than a qualifying purpose; or
- (c) where the property is a road vehicle, there is any sale, transfer or appropriation of it which falls within paragraph (f) of sub-paragraph (2) of paragraph 1 of this Schedule.

- (2) Any notice of a sale or transfer given under the foregoing sub-paragraph shall state the name and address of the person to whom the sale or transfer is made.

- (3) It shall be the duty of persons incurring any such expenditure as aforesaid, of persons to whom the property representing any such expenditure is sold or transferred, and

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of the personal representatives of any such person, on being required to do so by the surveyor, to give the surveyor all such information as he may require, and as they have or can reasonably obtain, about any sale or transfer of the property representing the expenditure or about any other dealing with the property.

- (4) Any person who, without reasonable cause, fails to comply with this paragraph shall be liable to a penalty equal to twenty pounds plus three times the amount of the investment allowance made in respect of the expenditure in question.
- 4 (1) All such additional assessments and adjustments of assessments shall be made as may be necessary for or in consequence of the withdrawal of an investment allowance or the substitution therefor of an initial allowance under this Schedule, and may be so made at any time.
- (2) In the case of the death of a person who, if he had not died, would, under the provisions of this Schedule, have become chargeable to income tax for any year, the tax which would have been so chargeable shall be assessed and charged upon his executors or administrators and shall be a debt due from and payable out of his estate.
- 5 (1) For the purposes of this Part of this Schedule—
- (a) "chargeable purpose" means the purpose of putting the property to a use such that profits or income accrue or are intended to accrue therefrom and will be chargeable to tax;
 - (b) "qualifying purpose" means the purpose of putting the property to such a use as aforesaid, not being a use such that, if the property was or had been intended for that use when the expenditure was incurred, no investment allowance should have been made in respect of the expenditure;
 - (c) an act shall be deemed to be done by an associate of the person incurring the expenditure—
 - (i) if it is done by a body of persons which is at the time of the act under the control of the person incurring the expenditure; or
 - (ii) if the expenditure was incurred by a body of persons which either is at the time of the act or was when the expenditure was incurred under the control of the person doing the act; or
 - (iii) if the expenditure was incurred by one body of persons and the act is done by another, and the one doing the act is at the time under the control of the same person as the other either is at that time or was when the expenditure was incurred;
 or if it is done by a person to whom the property was transferred by the person incurring the expenditure or an associate of his and it appears that the transfer was made in contemplation of the act being done.
- (2) In the foregoing sub-paragraph "body of persons" includes a partnership, and "control" has the meaning assigned to the word by subsection (1) of section three hundred and thirty-three of the Income Tax Act, 1952.