



# Finance Act 1959

## 1959 CHAPTER 58

### PART III

#### INCOME TAX

#### **26 Purchase and sale of securities: traders other than dealers in securities**

- (1) If the first buyer carries on a trade not falling within section twenty-four of this Act, then in ascertaining whether any or what repayment of tax is to be made to him under section three hundred and forty-one of the Income Tax Act, 1952, subsection (3) of section fifteen of the Finance Act, 1953, or paragraph 3 of the Third Schedule to the Finance Act, 1954, by reference to any loss sustained in the trade and the aggregate amount of his income for the year of assessment his income for which includes the interest, there shall be left out of account—
  - (a) the appropriate amount in respect of the interest, as determined in accordance with the Sixth Schedule to this Act, and
  - (b) any tax paid on that amount.
- (2) Where the first buyer is a company and carries on a trade not falling within section twenty-four of this Act or a business consisting mainly in the making of investments, then—
  - (a) the appropriate amount in respect of the interest, as determined in accordance with the Sixth Schedule to this Act, shall be left out of account in determining for the purposes of section twenty of the Finance Act, 1953 (payments between associated companies in respect of losses) whether the company has any surplus for tax purposes during any period or what is the amount of that surplus ; and
  - (b) if any annual payment payable by the company is to any extent payable out of the interest, that annual payment shall be deemed to that extent not to be payable out of profits or gains brought into charge to tax, and section one hundred and seventy of the Income Tax Act, 1952, shall apply accordingly.
- (3) In sub-paragraph (3) of paragraph 5 of the Third Schedule to the Finance (No. 2) Act, 1955, after paragraph (d) (which provides, in the case of a company not engaged

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in carrying on a trade falling within section twenty-four of this Act, for deducting certain amounts from income in determining whether a dividend has been paid out of accumulated profits) there shall be inserted the following:—

“and

- (e) if the company is not engaged as aforesaid, but were it so engaged any reduction under section twenty-four of the Finance Act, 1959, would, or would but for subsection (3) or (4) of that section, fall to be made as respects the price paid by the company for securities (within the meaning of that section) bought by it in a year of assessment in the period, such amount as would, after deduction of income tax at the standard rate in force in that year of assessment, be equal to the amount of the reduction, so however that where the securities are of the description specified in paragraph 4 of the Sixth Schedule to that Act the amount shall be the amount of the reduction,”

in sub-paragraph (3) of paragraph 4 of that Schedule (which provides for leaving out of account, in determining the profits of a company for a given period, tax on any amount to be deducted under paragraph (d) of sub-paragraph (3) of paragraph 5 of that Schedule) after the word " (d)" there shall be inserted the words " or (e) " , and subsection (5) of section eighteen of the Finance Act, 1958 (which, in the case of companies falling within the said paragraph (d), contains modifications of the enactments relating to dividends paid out of accumulated profits) shall apply where a company satisfies the conditions specified in the new paragraph (e) set out in this subsection as it applies where a company such as is mentioned in the said paragraph (d) has received such a dividend as is mentioned therein.

- (4) In this section " company " includes any body corporate.