



Finance Act 1960

1960 CHAPTER 44

PART II

INCOME TAX

15 Charge of income tax for 1960-61

Income tax for the year 1960-61 shall be charged at the standard rate of seven shillings and ninepence in the pound, and in the case of an individual whose total income exceeds two thousand pounds, at such higher rates in respect of the excess as Parliament may hereafter determine.

16 Amendment of s. 486 of Act of 1952

- (1) In section four hundred and eighty-six of the Income Tax Act, 1952 (which limits to five shillings and sixpence in the pound the exoneration from tax of a payee under a pre-war provision for a tax-free payment) for the words " appropriate fraction " wherever they occur in subsections (1) to (3) there shall be substituted the words " appropriate proportion " , and for subsection (5) (which, except as respects the year 1959-60, defines " appropriate fraction " as the fraction of which the denominator is twenty-nine and the numerator is twenty-nine less one for every complete sixpence in the pound by which the standard rate for the year exceeds five shillings and sixpence) there shall be substituted—

“(5) In this section ' the appropriate proportion ' means, in relation to any year of assessment, the proportion which the difference between twenty shillings in the pound and the standard rate of income tax for the year bears to fourteen shillings and sixpence in the pound”.

- (2) This section shall be deemed to have had effect as respects payments falling to be made at any time after the beginning of the year 1960-61.

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17 Additional relief for widows and others in respect of children

- (1) This section applies—
 - (a) to widows, widowers and other persons who are not entitled for the year of assessment to the higher (married persons) relief under subsection (1) of section two hundred and ten of the Act of 1952, except that it does not apply to a woman who is not a widow unless throughout the year of assessment she was either in full-time employment or engaged full-time in some trade, profession or vocation or totally incapacitated by physical or mental infirmity; and
 - (b) to any married man who is entitled for the year of assessment to the higher relief aforesaid but whose wife was throughout that year totally incapacitated by physical or mental infirmity.
- (2) Subject to the provisions of this section, if the claimant, being a person to whom this section applies, proves in the case of a year of assessment,—
 - (a) that he is entitled to relief under section two hundred and twelve of the Act of 1952 in respect of a child resident with him, and
 - (b) that he is not entitled to any relief under section two hundred and fourteen, fifteen or eighteen of the Act of 1952, and either that no other individual is entitled to such relief in respect of the charge and care of that child or that his claim thereto has been relinquished,he shall be entitled to a deduction from the amount of income tax with which he is chargeable equal to tax at the standard rate on forty pounds.
- (3) The enactments relating to income tax, and in particular Part VIII of the Act of 1952, shall have effect as if this section were contained in the said Part VIII immediately after section two hundred and eighteen, and references to that section and the relief thereunder in subsections (4) and (5) thereof (apportionment of reliefs) and section fourteen of the Finance Act, 1957 (effect of personal allowances on surtax) shall include references to this section and the relief under this section.
- (4) This section shall not be deemed to have required any change in the amounts deducted or repaid under section one hundred and fifty-seven (pay as you earn) of the Act of 1952 before the twenty-second day of June, nineteen hundred and sixty.

18 Increase of reliefs for housekeeper, dependent relative, etc.

- (1) In sections two hundred and fourteen, fifteen, sixteen and eighteen of the Act of 1952 (housekeepers, dependent relatives and others) for references to sixty pounds there shall be substituted references to seventy-five pounds, and correspondingly in the said section two hundred and sixteen for the reference to one hundred and ninety-five pounds there shall be substituted a reference to two hundred and ten pounds.
- (2) This section shall not be deemed to have required any change in the amounts deducted or repaid under section one hundred and fifty-seven (pay as you earn) of the Act of 1952 before the twenty-second day of June, nineteen hundred and sixty.

19 Income tax relief for National Insurance contributions

- (1) For the year of assessment in which the graduated contribution scheme comes into operation and subsequent years the following provisions of this section shall have effect in substitution for subsection (2) of section three hundred and seventy-seven of the Act of 1952 (deduction from income for National Insurance contributions):

Provided that this section shall not affect any deduction in respect of employer's contributions.

- (2) A claimant who proves that he is a contributor of any description specified in the first column of Part I of the Third Schedule to this Act shall be entitled, subject to the provisions of Part II of that Schedule, to a deduction from the amount of tax with which he is chargeable equal to tax at the standard rate on the amount specified in relation to that description in the second column of the said Part I.
- (3) Where a claimant proves that he has his wife living with him, and that she is a contributor of any description specified in Part I of the Third Schedule to this Act, he shall be entitled to the like deduction from tax (in addition to any deduction under subsection (2) of this section to which he is entitled) as the wife would have been entitled to apart from section three hundred and fifty-four of the Act of 1952 (tax on husbands and wives), or where the husband proves the matters aforesaid as respects part only of the year of assessment, to the deduction to which the wife would have been so entitled if she had not been a contributor of any description specified in the said Part I during the remainder of the year ; and—
- (a) in paragraph (c) of subsection (5) of section two hundred and twenty of the Act of 1952 (reduced rate relief) for the words from " under section three hundred and seventy-seven " to the end there shall be substituted the words " under subsection (3) of section nineteen of the Finance Act, 1960 ";
 - (b) where the wife has earned income for the year, the deduction under this subsection shall go, so far as may be, to reduce the tax chargeable on that income;
 - (c) section three hundred and fifty-eight of the Act of 1952 (consequences as respects personal allowances of exercise of option for separate assessment) shall apply in relation to relief under this section as it applies in relation to relief under section two hundred and nineteen or two hundred and twenty-five of that Act, but as if in paragraph (c) of subsection (2) of the said section three hundred and fifty-eight for the words "according as he or she made the payment giving rise to the relief" there were substituted the words " according as it was his or her liability to pay, or payment of, contributions which gave rise to the relief " and as if in the proviso to that subsection the reference to subsection (3) of section three hundred and fifty-four of the Act of 1952 included a reference to paragraph (b) of this subsection;
 - (d) in paragraph (b) of subsection (2) of section fourteen of the Finance Act, 1957 (allowance of personal reliefs for purposes of surtax where husband and wife are separately assessed), at the end of sub-paragraph (i) there shall be inserted the following—
 - “(ia) the amount (if any) added to the deduction in respect of relief under section nineteen of the Finance Act, 1960, shall be treated as reducing the income of the husband or the wife according as it was his or her liability to pay, or payment of, contributions which gave rise to the relief; ", and accordingly for the word " sub-paragraph " in sub-paragraph (ii) there shall be substituted the word " sub-paragraphs " , and for the words " sub-paragraphs (i) and (ii)" there shall be substituted the words " sub-paragraphs (i) to (ii) " .”.

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- (4) In subsection (1) of section fourteen of the Finance Act, 1957 (under which certain reliefs specified in paragraphs (a) to (c) thereof by reference to the enactments conferring them are allowable for purposes of surtax) at the end of paragraph (c) there shall be inserted the following—

“and

- (d) subsection (2) or (3) of section nineteen of the Finance Act, 1960 (relief for National Insurance contributions) ;”.

- (5) The enactments relating to income tax, and in particular Part VIII of the Act of 1952, shall have effect as if subsections (1) to (3) of this section were contained in the said Part VIII between sections two hundred and eighteen and two hundred and nineteen.
- (6) In this section and in the Third Schedule to this Act references to a contributor of any description shall be construed as references to a person liable to pay (directly or by deductions from remuneration) contributions under the National Insurance Act of the amount appropriate to that description, or a person entitled to pay such contributions who pays them, except that any married woman or widow who as such is by virtue of regulations under the National Insurance Act not required to pay contributions shall nevertheless be treated as a contributor and an employed person while she is an employed person and either is under pensionable age or has not retired from regular employment ; and other expressions have the same meanings as for the purposes of the National Insurance Act.
- (7) In subsection (1) of this section the reference to the coming into operation of the graduated contribution scheme—
- (a) in relation to a person whose liability to pay contributions arises, or who pays contributions, under the National Insurance Act, 1946, is a reference to the beginning of the week appointed under paragraph (b) of subsection (1) of section one of the National Insurance Act, 1959,
 - (b) in relation to a person whose liability to pay contributions arises, or who pays contributions, under the National Insurance Act (Northern Ireland), 1946, is a reference to the beginning of the week appointed under paragraph (b) of subsection (1) of section one of the National Insurance Act (Northern Ireland), 1959.

20 Restriction of relief for losses

- (1) Losses (including amounts in respect of allowances which by virtue of section twenty of the Finance Act, 1954, are to be treated as losses, being allowances in respect of expenditure incurred after the fifth day of April, nineteen hundred and sixty) in respect of which, apart from this section and on the assumption that the applicant's aggregate income was sufficient, relief could be given for the year 1960-61 or any subsequent year of assessment under section three hundred and forty-one of the Act of 1952 (relief from tax by deducting losses of a trade from aggregate income of same year) as originally enacted shall not be available for relief under that section, or that section as extended by subsection (3) of section fifteen of the Finance Act, 1953 (relief under section three hundred and forty-one for losses of previous year), unless it is shown that the trade was being carried on for that year of assessment on a commercial basis and with a view to the realisation of profits in the trade or, where the carrying on of the trade formed part of a larger undertaking, in the undertaking as a whole:

Provided that this subsection shall not apply to a loss made, or an allowance in respect of expenditure incurred, by a local authority (within the meaning of section one hundred and seventy-one of the Act of 1952) or by any person in the exercise of functions conferred by or under any enactment (including an enactment contained in a local or private Act).

- (2) Losses shall be disregarded in computing deficit or surplus for tax purposes under section twenty of the Finance Act, 1953 (subvention payments) for any accounting period ending in the year 1960-61 or in any subsequent year of assessment unless it is shown that the trade was being carried on for that accounting period on a commercial basis and with a view to the realisation of profits by the company carrying on the trade, or that company and its associated company or companies taken together.

The foregoing provisions of this subsection shall apply to allowances under Part X (except Chapter IV thereof) or Part XI of the Act of 1952 in respect of expenditure incurred after the fifth day of April, nineteen hundred and sixty, as they apply to losses.

- (3) Where during a year of assessment or accounting period there is a change in the manner in which a trade is being carried on, it shall be treated for the purposes of this section as having been carried on throughout the year or period, as the case may be, in the way in which it was being carried on by the end of the year or period.
- (4) Subject to the following subsection, where a trade is, or falls to be treated as being, carried on for part only of a year of assessment or accounting period by reason of its being, or falling to be treated as being, set up and commenced, or discontinued, or both, in that year or period, the foregoing provisions of this section shall have effect in relation to that trade as regards that part of that year or period as if any reference to the manner of carrying on the trade for or by the end of that year or period were a reference to the manner of carrying it on for or by the end of the said part thereof.
- (5) Where in any year of assessment or accounting period there is a change in the persons engaged in carrying on a trade, then, for the purposes of the application of the foregoing provisions of this section in the case of any person who, being engaged in carrying on the trade immediately before the change, continues to be so engaged immediately after it, the trade carried on by that person immediately before the change shall be treated as continuing to be carried on by him notwithstanding the change, whether or not it falls to be treated for any other purpose as having been discontinued on the change.
- (6) For the purposes of this section the fact that a trade was being carried on at any time so as to afford a reasonable expectation of profit shall be conclusive evidence that it was then being carried on with a view to the realisation of profits.
- (7) The foregoing provisions of this section shall apply to professions and vocations as they apply to trades, and references to a commercial basis shall be construed accordingly.
- (8) Section one hundred and forty-two of the Act of 1952 (setting off of losses against profits of another business) shall not have effect as respects losses of any accounting period ending after the fifth day of April, nineteen hundred and sixty.

21 Sale of shares in certain trading companies

- (1) Where in the case of a company carrying on—

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- (a) a trade of dealing in securities or land or buildings, or of developing land, or
- (b) any other trade such that the value of any one object which forms part of or constitutes the trading stock belonging to the company at the time of the sale hereinafter mentioned amounts to one-fifth or more of the value of the net assets of the company,

shares in the company are sold after the fifth day of April, nineteen hundred and sixty, to a person who has, or in consequence of the sale will have, control of the company, and apart from this section the consideration would not be a receipt of an income nature in the hands of the seller, the following provisions shall have effect.

- (2) If on the surveyor certifying to the Commissioners having jurisdiction in the matter particulars showing that the case falls within the foregoing subsection, and giving notice thereof in writing to the seller, it is not shown to the satisfaction of those Commissioners that all trading stock belonging to the company at the time of the sale has been or will be disposed of either in the course of its trade or to a person carrying on a trade such that the stock will be trading stock in his hands, the consideration shall be deemed to be income of the seller (and, if the seller is a company to which section two hundred and forty-five of the Act of 1952 (surtax on undistributed income of certain companies) applies, to be investment income) up to the amount specified in the next following subsection, and shall be chargeable under Case VI of Schedule D accordingly.
- (3) Subject to the next following subsection, the said amount is the appropriate proportion of the amount (if any) of profits or gains of the company chargeable to tax which would have been produced by the company receiving, at the time of the sale, consideration for the sale of its trading stock equal to the following amount, that is to say, the amount of the proper consideration for all the issued shares in the company—
 - (a) reduced by any excess of the aggregate of the values specified in subsection (5) of this section over the aggregate liabilities of the company at the time of the sale, or
 - (b) increased by any excess of the said aggregate liabilities over the aggregate of the said values.
- (4) Where the said amount exceeds the difference between the actual consideration for the sale of the shares and the consideration for which the seller bought them (or, if he acquired them otherwise than by buying them, their value on a sale in the open market at the time when he acquired them), and—
 - (a) immediately before the time of the sale the shares belonging to the seller amounted to less than five per cent. of the shares issued by the company (regard being had to any differences in the nature of the shares or the rights attaching thereto), or
 - (b) subsection (2) of this section has had effect, in relation to all or any of the same trading stock on a previous sale of the shares,

then if not later than six years after the end of the year of assessment the seller applies in writing to the Commissioners of Inland Revenue for relief, and, in the case of an application made only by virtue of paragraph (a) of this subsection, shows to the satisfaction of those Commissioners that he did not acquire his shares in pursuance of arrangements for transferring control of the company to another person, the Commissioners of Inland Revenue shall give, by repayment or otherwise, such relief (if any) as may be reasonable and just.

Any applicant aggrieved by a decision of the Commissioners of Inland Revenue under this subsection may, on giving notice in writing within thirty days after the

notification of the decision, appeal to the General Commissioners having jurisdiction in the matter of the assessment under this section, or if he so elects to the Special Commissioners, and the provisions of the Act of 1952 relating to such an appeal (including the provisions relating to the statement of a case for the opinion of the High Court on a point of law) shall apply with any necessary modification.

(5) The values referred to in paragraphs (a) and (b) of subsection (3) of this section are the following, that is to say—

- (a) the value of any assets of the company in respect of which capital allowances have been made (which shall be taken to be the amount of the capital expenditure of the company on the construction or provision of the assets unallowed as at the time of the sale),
- (b) the value of the goodwill of the business of the company, to the extent (if any) that consideration was given therefor on a transaction between independent persons dealing at arm's length, and
- (c) the value at the time of the sale of other assets of the company not being trading stock, ascertained as on a sale in the open market.

(6) For the purposes of this section the proper consideration for all the issued shares in a company shall be the actual consideration for the sale of shares mentioned in subsection (1) of this section increased (unless that sale was of all the issued shares) in the proportion which the total number of issued shares bears to the number of shares sold:

Provided that where the issued shares of the company are not all of the same nature or do not all have the same rights attaching thereto and the said sale was not of all the issued shares, the proper consideration for all the issued shares in the company shall be ascertained for the purposes of this section by aggregating the value of the trading stock of the company, ascertained as on a sale in the open market at the time of the sale of shares, and the values mentioned in paragraphs (a) to (c) of the foregoing subsection and deducting therefrom the aggregate amount of the liabilities of the company at that time.

(7) For the purposes of subsection (3) of this section the appropriate proportion, in relation to any sale of shares, is the proportion which the actual consideration for that sale bears to the proper consideration for all issued shares in the company, so however that where the proviso to the foregoing subsection has effect the appropriate proportion is such proportion as may be just having regard to the number and nature of the shares sold and the rights attaching thereto, as compared with the number and nature of all the issued shares in the company and the rights or different rights attaching thereto.

(8) Any tax chargeable on the seller by virtue of the foregoing provisions of this section and not paid by him shall be recoverable from the company, and where the seller is an individual the amount which (by virtue of subsection (2) of this section) is deemed to be income of his shall be deemed for the purposes of this subsection to be the highest part of his income.

(9) The following provisions shall have effect where in pursuance of this subsection a person proposing to sell shares in such circumstances that the sale would fall within subsection (1) of this section and the person proposing to buy the shares furnish to the Commissioners of Inland Revenue particulars of the proposed transaction, that is to say:—

- (a) if the Commissioners are of opinion that the particulars, or any further information furnished in pursuance of this paragraph, are not sufficient for

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the purposes of this subsection, they shall within thirty days of the receipt thereof notify to the said persons what further information they require for those purposes, and unless that further information is furnished to the Commissioners within thirty days from the notification or such further time as the Commissioners may allow they shall not be required to proceed further under this subsection ;

- (b) subject to the foregoing paragraph, the Commissioners shall within thirty days of the receipt of the particulars, or where that paragraph has effect of all further information required, notify the said persons whether the Commissioners are satisfied that the trading stock will be disposed of as mentioned in subsection (2) of this section;

and if the Commissioners notify the said persons that they are so satisfied, the surveyor shall not give a certificate under subsection (2) of this section in respect of a sale of shares in the company by the one of the said persons to the other which is carried out within six months after the notification by the Commissioners.

- (10) Where under subsection (1) of this section any amount would have been deemed to be income of the seller if subsection (2) of this section had had effect, and on the sixth anniversary of the sale any asset which was trading stock of the company at the time of the sale, or any part of or interest in such an asset, is still held by the company, then, unless the company has ceased to carry on the trade or it is shown to the satisfaction of the said Commissioners that the retention of the asset was for bona fide reasons connected with the trade, income of the like amount shall be deemed to have been received by the company on the said anniversary and shall be chargeable under Case VI of Schedule D accordingly.
- (11) If after the sale of the shares any receipts accrue (whether in money or in money's worth) from the sale of stock which was trading stock of the company at the time of the sale of the shares, or as the result of any other dealing with any of that trading stock, or any dealing with anything constructed, produced or derived therefrom, or by way of compensation for (including insurance moneys payable in respect of) the loss or destruction of or damage to any such trading stock or anything constructed, produced or derived therefrom, the receipts shall be disregarded for income tax purposes if and to the extent that it is just so to do having regard to any tax charged under the foregoing provisions of this section (being tax charged at the standard rate):

Provided that nothing in this subsection shall be construed as requiring receipts to be disregarded in so far as they are in the nature of rent or hire.
- (12) If after the sale of the shares, in a case not falling within the proviso to subsection (6) of this section, a balancing charge falls to be made in respect of any asset of the company falling within paragraph (a) of subsection (5) of this section, the amount on which the charge is made shall not exceed the aggregate of—
 - (a) the appropriate proportion of what would have been the maximum amount of the balancing charge if the asset had been bought by the company at the time of the sale of the shares for a price equal to the amount unallowed at the time of the sale of the capital expenditure actually incurred by the company on the construction or provision of the asset, the said maximum amount being ascertained on the footing that no initial allowance fell to be made, and
 - (b) the amount which apart from this subsection would be the maximum amount of the balancing charge less the appropriate proportion of that amount.
- (13) In this section " the Commissioners having jurisdiction in the matter ", in relation to any sale of shares in a company, means the Commissioners having jurisdiction

with respect to the making of assessments under Schedule D on the company or, if more than one body of Commissioners has such jurisdiction, such of those bodies as the Commissioners of Inland Revenue may direct; and the Commissioners having jurisdiction in the matter shall in any case have jurisdiction with respect to the making of an assessment on the seller in respect of any amount in respect of which he is chargeable under this section.

22 Provisions as to certain building companies not carrying on a trade

- (1) Where the activities of a company consist of or include the erection or the securing of the erection of a building, and after the erection has begun and not later than six years after its completion shares in the company are sold to a person who has, or in consequence of the sale will have, control of the company, then if at the time of the sale the company has (directly or indirectly) an interest in the building and the value of that interest, or the aggregate value of that interest and any interest which the company so has at that time in any other building (not being a building completed more than six years before that time) the erection of which was carried out or secured by the company, amounts to one-fifth or more of the net assets of the company, it shall be treated for the purposes of the foregoing section as carrying on a trade of which the interest or interests are trading stock, whether or not apart from this subsection it would be so treated, and if apart from this subsection it would not be so treated such proportion of the expenses of the company as may be just shall be treated as expenses of that trade:

Provided that this subsection shall not apply if—

- (a) the shares in the company are sold by a person or persons to another company and the shares in each company are held (directly or indirectly) by the same person or by the same persons in the same proportion, or
- (b) the shares are sold by one company to another company and the shares in each company are held (directly or indirectly) by the same person or by the same persons in the same proportion,

regard being had in each case to any differences in the nature of the shares or the rights attaching thereto.

- (2) Where before the sale of shares mentioned in the foregoing subsection the company—
- (a) has sold its interest in the building or any such other building as aforesaid to the person who is the purchaser of the shares or (if that person is a company) to an associated company, or
 - (b) has created an interest in the building or any such other building as aforesaid in favour of that person or any such associated company, or
 - (c) has sold or created such an interest to or in favour of any person, and the purchaser of the shares or any such associated company acquires the interest, either before the sale of the shares or after the sale in pursuance of arrangements made not later than the sale,

the foregoing subsection shall apply as if the interest sold were still vested in the first-mentioned company at the time of the sale of the shares, or, as the case may be, as if the interest had not been created as mentioned in paragraph (b) or (c) of this subsection, and as if any assets of the company representing the consideration for the sale or creation of the interest were not assets of the company.

- (3) Where a building has been or has begun to be erected by a company on land belonging to an associated company, and after the erection has been begun and not later than

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six years after its completion a person acquires control of the first company, then as respects sales to that person of shares in the company owning the land (whether effected before or after that person acquires control of the first company) the foregoing subsections shall apply as they apply to such a company as is therein mentioned but with the substitution for references to an interest in the building of references to an interest in the land.

- (4) Where a company not carrying on a trade, but of which the activities consist of or include the erection or the securing of the erection of a building, is wound up, and the commencement of the winding up falls at a time after the erection has begun and not later than six years after its completion, then if immediately before that time the company had (directly or indirectly) an interest in the building and the value of the interest or the aggregate value of the interest and any interest which the company so had immediately before that time in any other building (not being a building completed more than six years before that time) the erection of which was carried out or secured by the company, amounted to one-fifth or more of the net assets of the company, the company shall be treated for income tax purposes as having received immediately before that time untaxed profits, chargeable under Case VI of Schedule D, of an amount equal to the amount (if any) of profits or gains of the company chargeable to tax which would have been produced by a sale of the interest or interests in the open market immediately before that time if the company had erected or secured the erection of the building or buildings in the course of a trade carried on by it and if such proportion of the expenses of the company as may be just had been expenses of that trade:

Provided that where all the shares in the company belong to another company, that other company may, by notice in writing given to the surveyor within one year after the commencement of the winding up, elect that if in the winding up the company acquires the interest or interests of the subsidiary company in the building or buildings, the foregoing provisions of this subsection shall not apply and shall be deemed not to have applied, but that if the acquiring company sells the interest or any of the interests, or grants an interest thereout, or sells an interest created thereout, that company shall be chargeable to income tax under Case VI of Schedule D on the amount which would have been its profit if the interest or interests it acquired had been trading stock acquired for the amount which under the foregoing provisions of this subsection (if they had had effect) would have been deductible in ascertaining the amount of profits or gains chargeable to tax referred to in those provisions; and if the company elects as aforesaid it shall be treated for the purpose of subsections (1) and (4) of this section as if its activities had included the erection of the building or buildings, whether or not it would otherwise have been so treated.

- (5) For the purposes of this section there shall be disregarded any building provided for use, and brought into use, for the purposes of a bona fide trade carried on by the company, other than a trade of dealing in securities or land or buildings, or of developing land, or of the provision of services for the occupier of land an interest in which is held by the company.
- (6) For the purposes of the foregoing subsections an uncompleted building shall be taken to include so much of any materials belonging to the company as are required for erecting the building, and a building (whether complete or not) shall be taken to include its site.

23 Application of ss. 21 and 22 to sales of shares in holding companies

- (1) Subject to the provisions of this section, where—
- (a) a company (" the first company ") is such that section twenty-one of this Act, or that section as extended by subsection (1) of section twenty-two of this Act, would apply if shares in the company were sold to a person who has, or in consequence of the sale would have, control of the company; and
 - (b) shares in that company belong (either directly or through a nominee) to another company (" the second company "); and
 - (c) shares in the second company are at any time (" the relevant time ") sold to a person who has, or in consequence of the sale will have, control of the first company; and
 - (d) all the issued shares in the second company at the relevant time are of the same nature and carry the same rights,
- the appropriate number of shares in the first company shall be treated for the purposes of the said section twenty-one and of subsection (1) of the said section twenty-two as having been sold at the relevant time to the person mentioned in paragraph (c) of this subsection by the seller of the shares mentioned in that paragraph for a consideration equal to the amount specified in subsection (3) of this section.
- (2) For the purposes of the foregoing subsection, the appropriate number of shares in the first company is the number arrived at by multiplying the total number of shares in the first company which at the relevant time belonged (as aforesaid) to the second company by the fraction of which the numerator is the number of shares in the second company sold as mentioned in paragraph (c) of that subsection and the denominator is the total number of the issued shares in the second company at the relevant time.
- (3) The amount referred to in subsection (1) of this section is the amount of the consideration for the sale mentioned in paragraph (c) of subsection (1) of this section—
- (a) reduced by the amount arrived at by multiplying by the fraction specified in the foregoing subsection any excess of the value specified in the following subsection over the aggregate liabilities of the second company at the relevant time, or
 - (b) increased by the amount arrived at by multiplying by the said fraction any excess of the said aggregate liabilities over the said value.
- (4) The value referred to in the foregoing subsection is the value at the relevant time of all the assets of the second company other than the shares in the first company belonging (as aforesaid) to it at that time, ascertained as on a sale in the open market.
- (5) Where, in the circumstances described in paragraphs (a) to (c) of subsection (1) of this section, all the issued shares in the second company at the relevant time are not of the same nature or do not carry the same rights, the foregoing provisions of this section shall have effect as if paragraph (d) of subsection (1) were omitted and for the fraction specified in subsection (2) there were substituted such fraction as may be just having regard to the number and nature of the shares in the second company which were sold as mentioned in the said paragraph (c) and the rights attaching thereto, as compared with the number and nature of all the issued shares in the second company at the relevant time and the rights or different rights attaching thereto, any reference to the first-mentioned fraction being construed accordingly.
- (6) Where, in the circumstances described in paragraphs (a) to (c) of subsection (1) of this section—

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- (a) the second company is itself such a company as is mentioned in the said paragraph (a), and
- (b) the person to whom the shares in the second company are sold has, or in consequence of the sale will have, control of the second company,

the provisions of section twenty-one and, where applicable, of subsection (1) of section twentytwo of this Act, and the foregoing provisions of this section, shall all apply.

- (7) Where, instead of shares in the second company being sold as mentioned in paragraph (c) of subsection (1) of this section, the sale is of shares in a company ("the last company") which, through a series of companies, has an indirect interest in the shares of the first company, the foregoing provisions of this section shall apply with such modifications as may be necessary in relation to each company (being either the first company, the last company, or one of the series of companies) of which the person to whom the shares in the last company are sold either has control at the time of the sale or will have control in consequence of it.

24 Supplementary provisions as to ss. 21 to 23

- (1) Where sales of associated parcels of shares in a company, being sales to the same person, take place at different times, and in consequence of any of the sales other than the first that person obtains control of the company, then for the purposes of any of the three foregoing sections any sales earlier than that in consequence of which he obtains control (not being sales effected before the sixth day of April, nineteen hundred and sixty) shall be treated as having all taken place at the time of that sale.
- (2) For the purposes of the foregoing subsection parcels of shares shall be treated as associated if (either directly or through a nominee) they belong respectively to the same person or two or more related persons, or to two or more persons carrying on business in partnership; and for the purposes of this subsection shares shall be treated as belonging to a person—
- (a) if they belong to a company under his control, or
 - (b) if they are held by trustees in consequence of a settlement (as defined in section four hundred and three of the Act of 1952) in relation to which he is the settlor (as so defined), or
 - (c) in the case of a person carrying on business in partnership, if they belong to a person related to him,
- and two or more persons shall be deemed to be related if each of them, as respects each of the others, is a relative (that is to say an ancestor, lineal descendant, brother or sister), or the husband or wife of a relative, of that other or of the husband or wife of that other.
- (3) Where a person acquires control of a company at any time,—
- (a) any sale of shares in the company, whether to that person or to a person from whom he acquires the shares directly or indirectly, which took place before that time and was effected in pursuance of arrangements for transferring control of the company, or
 - (b) any sale of shares in the company to another person from whom the first-mentioned person acquired them, directly or indirectly, being a sale which took place after that time and was effected in pursuance of arrangements for transferring the shares to the first-mentioned person,

shall be treated for the purposes of the three foregoing sections as a sale in consequence of which the immediate purchaser will have control of the company.

- (4) For the purposes of this and the three foregoing sections a sale to a company under a person's control, or to his nominee, shall be treated as a sale to him, and the creation of an interest in favour of a company under a person's control, or in favour of his nominee, shall be treated as the creation of the interest in his favour.
- (5) For the purposes aforesaid two or more persons acting together to secure or exercise control of a company shall be treated in relation to that company as a single person.
- (6) Where a sale of shares is effected in pursuance of a previous agreement, the time of the sale shall be taken for the purposes of the three foregoing sections and of the foregoing provisions of this section to be the time of the making of the agreement.

25 Transactions between associated dealing companies and other companies

- (1) Where after the fifth day of April, nineteen hundred and sixty, and otherwise than in pursuance of an agreement made on or before that day a company, not being a dealing company,—
 - (a) acquires from an associated company, being a dealing company, any assets being trading stock of the dealing company and not being securities which are shown to have been acquired in pursuance of an offer for sale to the public made by that company and in the allotment of which no preference was given to associated companies, and subsequently disposes of those assets, or
 - (b) otherwise disposes of an asset to an associated company, being a dealing company,

any profit which the first-mentioned company makes out of the transaction shall be deemed to be income (and, if that company is a company to which section two hundred and forty-five of the Act of 1952 (surtax on undistributed income of certain companies) applies, to be investment income) of that company and chargeable with income tax under Case VI of Schedule D:

Provided that where, in the case of any such acquisition of assets by a company as is mentioned in paragraph (a) of this subsection or any such disposal of assets by a company as is mentioned in paragraph (b) thereof, the assets fall by virtue of a direction under section four hundred and sixty-nine of the Act of 1952 (sales etc. between associated persons) to be treated in computing the profits of the other associated company for income tax purposes as having been sold for a price other than that actually paid, the foregoing provisions of this subsection shall have effect as if the assets had been acquired or, as the case may be, disposed of for that other price instead of for the price actually paid for them.

- (2) Where the disposal by the first-mentioned company of the assets; acquired from the dealing company is to another associated company, and that company is not a dealing company, then that company and any other associated company subsequently acquiring the asset shall be treated for the purposes of paragraph (a) of the foregoing subsection as if it had acquired the asset from an associated company being a dealing company:

Provided that this subsection shall not by virtue of the said disposal apply to any acquisition after the asset has been acquired by an associated company being a dealing company or by a person not being an associated company.

- (3) Where a company, not being a dealing company, acquires as mentioned in paragraph (a) of subsection (1) of this section any assets being shares in or debentures

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of a body corporate, or by virtue of subsection (2) of this section falls to be treated as if it had so acquired any such assets, and shares in or debentures of the same or any other body corporate are issued, or any right to acquire any such shares or debentures is granted, to the company as the holder of the first mentioned shares or debentures, the company shall be treated for the purposes of the said paragraph (a) as if it had acquired the shares or debentures so issued, or the right granted, from an associated company being a dealing company.

In this subsection the reference to an issue being made or right being granted to the company as the holder of shares or debentures shall be taken to include any case in which an issue or grant is made to the company as having been the holder of those shares or debentures, or is made to it in pursuance of an offer or invitation made to it as being or having been the holder of those shares or debentures, or of an offer or invitation in connection with which any preference is given to it as being or having been the holder thereof.

- (4) Where a dealing company becomes entitled to a deduction, in computing the profits or gains of the company for income tax purposes for a period ending after the fifth day of April, nineteen hundred and sixty, in respect of the depreciation in the value of any right subsisting against an associated company, not being a dealing company, or where a dealing company makes any payment to such an associated company, being a payment in respect of which the dealing company is entitled to a deduction in computing its profits or gains as aforesaid, and the depreciation or payment is not brought into account in computing the profits or gains of the company not being a dealing company, that company shall be deemed to have received on the last day of the period income of an amount equal to the amount of the deduction and shall be chargeable in respect thereof under Case VI of Schedule D:

Provided that—

- (a) where the company not being a dealing company is carrying on a trade, the said income shall, if the company so elects, not be so chargeable but shall be deemed to have been a receipt of the trade, or, if the company is carrying on more than one trade, to have been a receipt of such one of the trades as the company may choose, and, if the company is an Overseas Trade Corporation, to have been trading income;
- (b) where the said company is carrying on, or was formed to carry on, a trade, then if the said right subsisting against the company was a right to the repayment of moneys lent for meeting expenditure which has proved (in whole or in part) abortive, or the payment to the company was made for meeting such expenditure, and the expenditure is such that the company is not entitled in respect thereof to any allowance or deduction in computing losses or gains, this subsection shall not apply in so far as the expenditure proved abortive.
- (5) Where an investment company is in liquidation, and the liquidator effects any disposal of an asset in respect of which the company would have been chargeable under subsection (1) of this section if the disposal had been effected by the company, the liquidator shall be chargeable with tax in like manner and to the like extent, and the profit in respect of which he is so chargeable shall be deemed to be income of the company arising since the commencement of the winding up.
- (6) Any loss which a company, not being a dealing company, sustains in any transaction falling within subsection (1) of this section by virtue of paragraph (a) thereof shall be treated as being a loss to which section three hundred and forty-six of the Act of 1952 (relief in respect of losses in transactions the profits of which would be chargeable

under Case VI of Schedule D) applies, so however that relief under that section for any loss to which that section applies by virtue of this subsection shall be given only to the extent that that loss can be deducted from or set off against profits arising from other transactions falling within subsection (1) of this section by virtue of paragraph (a) thereof.

26 Sale of shares in investment company to associated dealing company

- (1) Where a person who has control of an investment company sells shares in the company to a dealing company of which he has control, and—
 - (a) the shares were acquired by the seller after the beginning of the year 1960-61, or the rights attached to the shares were altered after the beginning of that year, or
 - (b) at the time of the sale he had shares so acquired similar in number and rights to the shares sold by him,the provisions of subsections (2) and (3) of this section shall have effect.
- (2) If apart from this section the consideration for the sale of the shares would not be a receipt of an income nature in the hands of the seller, it shall be deemed to be income of his (and, if the seller is a company to which section two hundred and forty-five of the Act of 1952 (surtax on undistributed income of certain companies) applies, to be investment income) up to the amount specified in the next following subsection, or, if the seller so elects, up to the full amount of the said consideration reduced by the amount of the consideration (if any) paid for the shares or for the alteration of the rights, and shall be chargeable under Case VI of Schedule D accordingly.
- (3) The said amount is the amount of the profit which would have been made by the investment company if, at the time of the sale of the shares, it had sold to the dealing company, for the consideration paid for the shares, such proportion of all its assets as is properly apportionable to the shares, having regard to the number and nature of the shares sold and the rights attaching thereto, as compared with the number and nature of all shares in the investment company and the rights or different rights attaching thereto.
- (4) Where a person sells shares in an investment company to a dealing company, and he and one or more other persons together have control of both companies, then if each of the other persons sells or has sold shares in the investment company to the dealing company and paragraph (a) or (b) of subsection (1) of this section applies in relation to all of the sales, the provisions of subsections (2) and (3) of this section shall have effect in relation to each of the sales.
- (5) References in subsection (1) or (4) of this section to the sale of shares to such a dealing company as is therein mentioned include references to the sale of the shares to a person not being such a dealing company in any case where the shares are subsequently acquired by such a dealing company in pursuance of arrangements for their eventual acquisition by it made not later than the sale to the said person, and in any such case the shares shall be deemed for the purposes of this section to have been sold to the said person for the consideration paid for them by the dealing company.

27 Sale of securities cum-dividend

- (1) Subject to the provisions of this section, where—

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- (a) under a contract for the sale of securities the seller is required to pay to the purchaser the amount of a periodical payment of interest on the securities, and
- (b) the seller does not satisfy the following condition, that is to say that he is entitled to that payment of interest either as the registered holder of the securities or from a person from whom the seller purchased them,
- subsections (2) and (3) of section one hundred and seventy of the Act of 1952 shall apply as if the payment by the seller were an annual payment made, after due deduction of tax, wholly out of a source other than profits or gains brought into charge to tax.
- (2) The foregoing subsection shall not apply where the interest in question is payable without deduction of tax or where, under the rules of the stock exchange governing the transaction, the payment required to be made in respect of the interest is of the amount of the interest before deduction of tax.
- (3) If for any year of assessment the liability to income tax of a jobber or dealing broker is determined on the footing that any excess of his payments in respect of interest on securities over his receipts in respect thereof, being payments made or receipts accrued in pursuance of a contract for the sale or purchase of the securities, is to be treated for all the purposes of the Income Tax Acts as an annual payment made by him, then as respects that year subsection (1) of this section shall not apply to him if he sold the securities in the ordinary course of his business as a jobber or dealing broker.
- (4) Where the seller is resident in the United Kingdom and purchased the securities (otherwise than through a broker) from a person not so resident, then except where the contract for that purchase was made before the seventh day of July, nineteen hundred and sixty, paragraph (b) of subsection (1) of this section shall have effect as if after the word " say " there were inserted the word " either " and as if for the words from " either as" to the end of the paragraph there were inserted the words " as the registered holder of the securities or that he shows to the satisfaction of the Special Commissioners that he acquired the securities, directly or indirectly, from a person who was so entitled to the payment ".
- (5) Where the seller under such a contract as is mentioned in paragraph (a) of subsection (1) of this section is not resident in the United Kingdom, and the sale is effected through a broker, that subsection shall not apply but, except where the contract was made before the seventh day of July, nineteen hundred and sixty, unless the broker shows to the satisfaction of the Special Commissioners either that the seller was entitled to the payment of interest as the registered holder of the securities or that the seller acquired the securities, directly or indirectly, from a person who was so entitled to the payment, subsections (2) and (3) of section one hundred and seventy of the Act of 1952 shall apply as if the payment through the broker of the amount of the payment of interest were an annual payment by the broker made, after due deduction of tax, wholly out of such a source as is mentioned in the said subsection (1).
- (6) In section three hundred and forty-five of the Act of 1952 (amounts assessed under section one hundred and seventy treated as losses of a trade) at the end of subsection (2) (which excludes certain payments from the operation of the section) there shall be added—
- “or
- (e) any payment to which the said section one hundred and seventy applies by virtue of section twenty-seven of the Finance Act, 1960.”
- (7) In this section—

" broker " means a member of a stock exchange in the United Kingdom other than a jobber ;

" dealing broker ", in relation to any sale of securities, means a member of a stock exchange in the United Kingdom, other than the London Stock Exchange, who is recognised by the committee of his exchange as carrying on the business of a dealer and authorised by them to deal in those securities; and

" jobber " means a member of the London Stock Exchange who is recognised by the committee thereof as carrying on the business of a jobber; and references to a periodical payment of interest include references to a dividend.

28 Cancellation of tax advantages from certain transactions in securities

(1) Where—

- (a) in any such circumstances as are mentioned in the next following subsection, and
- (b) in consequence of a transaction in securities or of the combined effect of two or more such transactions,

a person is in a position to obtain, or has obtained, a tax advantage, then unless he shows that the transaction or transactions were carried out either for bona fide commercial reasons or in the ordinary course of making or managing investments, and that none of them had as their main object, or one of their main objects, to enable tax advantages to be obtained, this section shall apply to him in respect of that transaction or those transactions:

Provided that this section shall not apply to him if—

- (i) the transaction or transactions in securities were carried out, and
- (ii) any change in the nature of any activities carried on by a person, being a change necessary in order that the tax advantage should be obtainable, was effected,

before the fifth day of April, nineteen hundred and sixty.

(2) The circumstances mentioned in the foregoing subsection are that—

- (a) in connection with the distribution of profits of a company, or in connection with the sale or purchase of securities being a sale or purchase followed by the purchase or sale of the same or other securities, the person in question, being entitled (by reason of any exemption from tax or by the setting off of losses against profits or income) to recover tax in respect of dividends received by him, receives an abnormal amount by way of dividend; or
- (b) in connection with the distribution of profits of a company or any such sale or purchase as aforesaid the person in question becomes entitled, in respect of securities held or sold by him, to a deduction in computing profits or gains by reason of a fall in the value of the securities resulting from the payment of a dividend thereon or from any other dealing with any assets of a company; or
- (c) the person in question receives, in consequence of a transaction whereby any other person—
 - (i) subsequently receives, or has received, an abnormal amount by way of dividend; or
 - (ii) subsequently becomes entitled, or has become entitled, to a deduction as mentioned in paragraph (b) of this subsection,

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a consideration which either is, or represents the value of, assets which are (or apart from anything done by the company in question would have been) available for distribution by way of dividend, or is received in respect of future receipts of the company or is, or represents the value of, trading stock of the company, and the said person so receives the consideration that he does not pay or bear tax on it as income; or

- (d) in connection with the distribution of profits of a company to which this paragraph applies, the person in question so receives as is mentioned in paragraph (c) of this subsection such a consideration as is therein mentioned.

In this subsection—

- (i) references to profits include references to income, reserves or other assets,
(ii) references to distribution include references to transfer or realisation (including application in discharge of liabilities), and
(iii) references to the receipt of consideration include references to the receipt of any money or money's worth,

but the assets mentioned in paragraph (c) of this subsection do not include assets which (while of a description which under the law of the country in which the company is incorporated is available for distribution by way of dividend) are shown to represent a return of sums paid by subscribers on the issue of securities: and the companies to which paragraph (d) of this subsection applies are—

- (iv) any company under the control of not more than five persons, and
(v) any other company which does not satisfy the condition that its shares or stock or some class thereof (disregarding debenture stock, preferred shares or preferred stock), are authorised to be dealt in on a stock exchange in the United Kingdom, and are so dealt in (regularly or from time to time),

so however that the said paragraph (d) does not apply to a company under the control of one or more companies to which that paragraph does not apply; and subsections (2) and (3) of section two hundred and fifty-six of the Act of 1952 (which define for the purposes of that section the circumstances in which a company is to be deemed to be under the control of not more than five persons) shall apply for the purposes of this subsection as they apply for the purposes of that section.

- (3) Where this section applies to a person in respect of any transaction or transactions, the tax advantage obtained or obtainable by him in consequence thereof shall be counteracted by such of the following adjustments, that is to say an assessment or additional assessment, the nullifying of a right to repayment or the requiring of the return of a repayment already made (the amount to be returned being chargeable under Case VI of Schedule D and recoverable accordingly), or the computation or recomputation of profits or gains, or liability to tax, on such basis as the Commissioners of Inland Revenue may specify by notice in writing served on him as being requisite for counteracting the tax advantage so obtained or obtainable.
- (4) The Commissioners of Inland Revenue shall not give a notice under the foregoing subsection until they have notified the person in question that they have reason to believe that this section may apply to him in respect of a transaction or transactions specified in the notification; and if within thirty days of the issue of the notification the said person, being of opinion that this section does not apply to him as aforesaid, makes a statutory declaration to that effect stating the facts and circumstances upon which his opinion is based, and sends it to the Commissioners, then subject to the next following subsection this section shall not apply to him in respect of the transaction or transactions.

- (5) If, when a statutory declaration has been sent to the Commissioners under the foregoing subsection, they see reason to take further action in the matter—
- (a) the Commissioners shall send to the tribunal a certificate to that effect, together with the statutory declaration, and may also send therewith a counter-statement with reference to the matter;
 - (b) the tribunal shall take into consideration the declaration and the certificate, and the counter-statement, if any, and shall determine whether there is or is not a prima facie case for proceeding in the matter, and if they determine that there is no such case this section shall not apply to the person in question in respect of the transaction or transactions:
- Provided that such a determination shall not affect the operation of this section in respect of transactions which include that transaction or some or all of those transactions and also include another transaction or other transactions.
- (6) Any person to whom notice has been given under subsection (3) of this section may within thirty days by notice to the clerk to the Special Commissioners appeal to the Special Commissioners on the grounds that this section does not apply to him in respect of the transaction or transactions in question, or that the adjustments directed to be made are inappropriate; and if he or the Commissioners of Inland Revenue are dissatisfied with the determination of the Special Commissioners they may require the appeal to be re-heard by the tribunal.
- (7) For the purposes of this section the tribunal shall consist of—
- (a) a chairman, being either the chairman of the Board of Referees or a person appointed by the Lord Chancellor, for a specified period or in relation to a specified case, to act as chairman of the tribunal in the absence of the chairman of the Board of Referees on account of illness or for any other reason, and
 - (b) two or more persons appointed by the Lord Chancellor as having special knowledge of and experience in financial or commercial matters.
- (8) The provisions of section two hundred and forty-seven of the Act of 1952 (appeals against directions as to undistributed income) as to the giving of notices, the application of provisions of that Act relating to appeals, and the powers and duties of the Special Commissioners, shall with the necessary modifications apply in relation to appeals under this section; and subsections (3) and (4) of the said section two hundred and forty-seven (re-hearings, statement of case on a point of law, etc.) shall apply in relation to appeals under this section and to the said tribunal as they apply in relation to appeals under that section and to the Board of Referees.
- (9) Without prejudice to the generality of the foregoing subsection, on an appeal under this section the Special Commissioners or the tribunal shall have power to cancel or vary a notice under subsection (3) of this section or to vary or quash an assessment made in accordance with such a notice, but the bringing of an appeal or the statement of a case shall not affect the validity of a notice given or of any other thing done in pursuance of the said subsection (3) pending the determination of the proceedings.
- (10) The following provisions shall have effect where in pursuance of this subsection a person furnishes to the Commissioners of Inland Revenue particulars of a transaction or transactions effected or to be effected by him, that is to say—
- (a) if the Commissioners are of opinion that the particulars, or any further information furnished in pursuance of this paragraph, are not sufficient for the purposes of this subsection, they shall within thirty days of the receipt

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thereof notify to the said person what further information they require for those purposes, and unless that further information is furnished to the Commissioners within thirty days from the notification or such further time as the Commissioners may allow they shall not be required to proceed further under this subsection ;

- (b) subject to the foregoing paragraph, the Commissioners shall within thirty days of the receipt of the particulars, or where that paragraph has effect of all further information required, notify the said person whether or not they are satisfied that the transaction or transactions as described in the particulars were or will be such that no notice under subsection (3) of this section ought to be given in respect of it or them,

and if the Commissioners notify him that they are so satisfied this section shall not apply to him in respect of that transaction or those transactions:

Provided that—

- (i) if the particulars, and any further information given under this subsection with respect to any transaction or transactions are not such as to make full and accurate disclosure of all facts and considerations relating thereto which are material to be known to the Commissioners, any notification given by the Commissioners under this subsection shall be void;
 - (ii) in no event shall the giving of a notification under this subsection with respect to any transaction or transactions prevent this section applying to a person in respect of transactions which include that transaction or all or some of those transactions and also include another transaction or other transactions.
- (11) For the purposes of subsection (2) of this section an amount received by way of dividend shall be treated as abnormal if the Commissioners of Inland Revenue, the Special Commissioners or the tribunal, as the case may be, are satisfied—
- (a) in the case of a dividend at a fixed rate, that it substantially exceeds the amount which the recipient would have received if the dividend had accrued from day to day and he had been entitled only to so much of the dividend as accrued while he held the securities, so however that an amount shall not be treated as abnormal by virtue only of this paragraph if during the six months beginning with the purchase of the securities the recipient does not sell or otherwise dispose of, or acquire an option to sell, any of those securities or any securities similar (within the meaning of section twenty-three of the Finance Act, 1959) to those securities, or
 - (b) in any case, that it substantially exceeds a normal return on the price paid for the securities:

Provided that there shall be disregarded any amount received by a company by way of dividend from an associated company except in so far as the dividend is paid out of profits accumulated before the two companies became associated companies; and the Third Schedule to the Finance (No. 2) Act, 1955, shall with the necessary modifications apply for determining the extent to which a dividend was so paid.

- (12) No other provision contained in this Act, or in any other of the Income Tax Acts, shall be construed as limiting the powers conferred by this section, but nothing in this section shall authorise the making of an assessment later than six years after the year to which the tax advantage relates.

29 Information for purposes of ss. 21 to 28

Where it appears to the Commissioners of Inland Revenue that by reason of any transaction or transactions a person—

- (a) may by virtue of any of the provisions of sections twenty-one to twenty-seven of this Act have incurred any liability to income tax, or
- (b) may be a person to whom the foregoing section applies,

the Commissioners may by notice in writing served on him require him, within such time not less than twenty-eight days as may be specified in the notice, to furnish information in his possession with respect to the transaction or any of the transactions, being information as to matters, specified in the notice, which are relevant to the question whether he has incurred such a liability as aforesaid or whether a notice under subsection (3) of the foregoing section should be given in respect of him.

30 Appointment of chairman of Board of Referees

The chairman of the Board of Referees shall be a person appointed by the Lord Chancellor.

31 Amendment of s. 4 of Finance (No. 2) Act, 1955

In the case of shares or stock sold or issued to a person, or otherwise acquired by him, after the fifth day of April, nineteen hundred and sixty, section four of the Finance (No. 2) Act, 1955 (tax on dividends on shares paid within six years of acquisition of shares and out of profits accumulated before acquisition) shall have effect in relation to the said person as if the words " and not more than six years before the date on which the dividend becomes payable " were omitted wherever they occur.

32 Receipts accruing after discontinuance of trade, profession or vocation

- (1) Where any trade, profession or vocation of which the profits or gains are chargeable to tax under Case I or Case II of Schedule D has been permanently discontinued, tax shall be charged under Case VI of that Schedule in respect of any sums to which this section applies which are received after the discontinuance, subject to any such deduction as is authorised by subsection (4) of this section.
- (2) Subject to the provisions of subsection (3) of this section, this section applies to the following sums arising from the carrying on of the trade, profession or vocation during any period before the discontinuance (not being sums otherwise chargeable to tax), that is to say—
 - (a) where the profits or gains for that period were computed by reference to earnings, all such sums in so far as their value was not brought into account in computing the profits or gains for any period before the discontinuance;
 - (b) where those profits or gains were not so computed, any sums which, if those profits or gains had been so computed, would not have been brought into the computation for any period before the discontinuance because the date on which they became due, or the date on which the amount due in respect thereof was ascertained, fell after the discontinuance.
- (3) This section does not apply to any of the following sums, that is to say—
 - (a) sums received by a person beneficially entitled thereto who is not resident in the United Kingdom, or by a person acting on his behalf, which represent

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- income arising directly or indirectly from a country or territory outside the United Kingdom ;
- (b) a lump sum paid to the personal representatives of the author of a literary, dramatic, musical or artistic work as consideration for the assignment by them, wholly or partially, of the copyright in the work;
 - (c) sums realised by the transfer of trading stock belonging to a trade at the discontinuance thereof, or by the transfer of the work of a profession or vocation in progress at the discontinuance thereof.
- (4) In computing the charge to tax in respect of sums received by any person which are chargeable to tax by virtue of this section, there shall be deducted from the amount which, apart from this subsection, would be chargeable to tax—
- (a) any loss, expense or debit (not being a loss, expense or debit arising directly or indirectly from the discontinuance itself) which, if the trade, profession or vocation had not been discontinued, would have been deducted in computing for tax purposes the profits or gains of the person by whom it was carried on before the discontinuance, or would have been deducted from or set off against those profits or gains as so computed; and
 - (b) any allowance under Part X or Part XI of the Act of 1952 to which the person who carried on the trade, profession or vocation was entitled immediately before the discontinuance and to which effect has not been given either by way of relief before the discontinuance or by deduction under this subsection.
- (5) For the purposes of this section the profits or gains of a trade, profession or vocation in any period shall be treated as computed by reference to earnings where all credits and liabilities accruing during that period as a consequence of the carrying on of the trade, profession or vocation are brought into account in computing those profits or gains for tax purposes, and not otherwise; and the value of any sum received in payment of a debt shall be treated as not brought into account in the computation to the extent that a deduction has been allowed in respect of that sum under paragraph (i) of section one hundred and thirty-seven of the Act of 1952 (which relates to bad and doubtful debts).
- (6) This section does not apply to sums received before the sixth day of April, nineteen hundred and sixty, but subject as aforesaid this section applies to sums received before as well as after the commencement of this Act.

33 Supplementary provisions as to tax under s. 32

- (1) In the case of a transfer for value of the right to receive any such sums as are described in subsection (2) of section thirty-two of this Act, any tax chargeable by virtue of that section shall be charged in respect of the amount or value of the consideration (or, in the case of a transfer otherwise than at arm's length, in respect of the value of the right transferred as between parties at arm's length), and references in that section to sums received shall be construed accordingly.
- (2) Where an individual is chargeable to tax by virtue of section thirty-two of this Act in respect of any sums received after the discontinuance of a trade, profession or vocation, and the profits or gains of the trade, profession or vocation to which he was entitled before the discontinuance fell to be treated as earned income for the purposes of the Act of 1952, those sums shall also be treated for those purposes as earned income.
- (3) Where any sum or sums chargeable to tax by virtue of the said section thirty-two are received, in any year of assessment beginning not later than six years after the

discontinuance of the trade, profession or vocation, by the person by whom it was carried on before the discontinuance, that person may, by notice in writing sent to the surveyor within twelve months after the end of that year of assessment, elect that the tax chargeable by virtue of that section shall, in lieu of being charged for that year of assessment, be charged for the year in which the discontinuance took place; and in any such case an additional assessment shall (notwithstanding anything in section forty-seven of the Act of 1952) be made upon him for the last-mentioned year in the amount on which he is chargeable under the said section thirty-two in respect of that sum or in respect of all those sums, as the case may be, and in connection with that assessment no further deduction or relief shall be made or given in respect of any loss or allowance deducted in pursuance of subsection (4) of the said section thirty-two.

- (4) Where the person chargeable to tax by virtue of the said section thirty-two in respect of sums received after the discontinuance of a trade is a company to which section two hundred and forty-five of the Act of 1952 applies, not being an investment company, and an order has been made or a resolution passed for the winding-up of the company, then—
- (a) the sums chargeable to tax by virtue of the said section thirty-two, so far as received after the commencement of the winding-up, shall, for the purposes of assessment to surtax, be deemed to be the income of the members;
 - (b) the Special Commissioners shall from time to time by notice in writing to the liquidator direct that the amount of those sums received in the year or period specified in the notice shall be deemed for those purposes to be the income of the members for that year or period, and the amount thereof shall be apportioned and surtax assessed and charged accordingly ; and
 - (c) the provisions of Chapter III of Part IX of the Act of 1952 shall, with any necessary modifications, apply in relation to any such directions, apportionments and assessments as they apply in relation to directions under the said section two hundred and forty-five and apportionments and assessments resulting therefrom.
- (5) Expressions used in subsection (4) of this section and in the said Chapter III have the same meanings in that subsection as they have in that Chapter.

34 Receipts and losses accruing after change treated as discontinuance under Finance Act, 1953, s. 19

- (1) The following provisions of this section shall apply in any case where, as the result of a change in the persons engaged in carrying on a trade, profession or vocation, the trade, profession or vocation is treated by virtue of section nineteen of the Finance Act, 1953, as if it had been permanently discontinued and a new trade, profession or vocation set up and commenced.
- (2) Sections thirty-two and thirty-three of this Act shall apply in the case of any such change as aforesaid as if the trade, profession or vocation had been permanently discontinued:

Provided that where the right to receive any sums to which the said section thirty-two applies is or was transferred, at the time of the change, to the persons carrying on the trade, profession or vocation after the change, tax shall not be charged by virtue of that section, but (except where the change took place before the sixth day of April, nineteen hundred and sixty) any sums received by those persons by virtue of the transfer shall

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be treated for all purposes as receipts to be brought into the computation of profits or gains of the trade, profession or vocation in the period in which they are received.

- (3) In computing for tax purposes the profits or gains of the trade, profession or vocation in any period after the change there may be deducted a sum equal to any amount proved during that period to be irrecoverable in respect of any debts credited in computing for tax purposes the profits or gains for any period before the change (being debts the benefit of which was assigned to the persons carrying on the trade, profession or vocation after the change), in so far as the total amount proved to be irrecoverable in respect of those debts exceeds any deduction allowed in respect of them under paragraph (i) of section one hundred and thirty-seven of the Act of 1952 in a computation for any period before the change.

35 Work in progress at discontinuance

- (1) Where, in computing for any income tax purpose the profits or gains of a profession or vocation which has been discontinued, a valuation is taken of the work of the profession or vocation in progress at the discontinuance, that work shall be valued as follows—
- (a) if the work is transferred for money or any other valuable consideration to a person who carries on or intends to carry on a profession or vocation in the United Kingdom, and the cost of the work may be deducted by that person as an expense in computing for any such purpose the profits or gains of that profession or vocation, the value of the work shall be taken to be the amount paid or other consideration given for the transfer;
 - (b) if the work does not fall to be valued under the foregoing paragraph, its value shall be taken to be the amount which would have been paid for a transfer thereof on the date of the discontinuance as between parties at arm's length.
- (2) Subsection (2) of section one hundred and forty-three of the Act of 1952 (determination of questions arising on the valuation of trading stock sold when a trade is discontinued) shall apply to the determination of any question arising under paragraph (a) of subsection (1) of this section as it applies to the determination of any question arising under paragraph (a) of subsection (1) of that section, but with the substitution of references to professions and vocations for references to trades.
- (3) Where a profession or vocation is discontinued and the person by whom it was carried on immediately before the discontinuance so elects, by notice in writing sent to the surveyor at any time within twelve months after the discontinuance, the amount, if any, by which the value of the work in progress at the discontinuance (as ascertained under subsection (1) of this section) exceeds the actual cost of the work shall not be brought into account in computing the profits or gains of the period immediately before the discontinuance, but the amount by which any sums received for the transfer of the work exceed the actual cost of the work shall be included in the sums chargeable to tax by virtue of section thirty-two of this Act as if it were a sum to which that section applies received after the discontinuance.
- (4) The foregoing provisions of this section apply where a profession or vocation is treated under section nineteen of the Finance Act, 1953, as permanently discontinued as they apply in the case of an actual discontinuance, but shall not apply in a case where a profession or vocation carried on by a single individual is discontinued by reason of his death.

- (5) For the purposes of section one hundred and forty-three of the Act of 1952 (valuation of trading stock on the discontinuance of trades) " trading stock ", in relation to a trade, includes any services, article or material which would, if the trade were a profession or vocation, be treated as work in progress thereof for the purposes of this section, and references to the sale or transfer of trading stock shall be construed accordingly.
- (6) This section applies, and applies only, to discontinuances occurring after the fifth day of April, nineteen hundred and sixty.

36 Debts set off against profits and subsequently released

- (1) Where, in computing for tax purposes the profits or gains of a trade, profession or vocation, a deduction has been allowed for any debt incurred for the purposes of the trade, profession or vocation, then, if the whole or any part of that debt is thereafter released, the amount released shall be treated as a receipt of the trade, profession or vocation arising in the period in which the release is effected.
- (2) If in any such case as aforesaid the trade, profession or vocation has been permanently discontinued at or after the end of the period for which the deduction was allowed and before the release was effected, or is treated for tax purposes, by virtue of section nineteen of the Finance Act, 1953, as if it had been so discontinued, section thirty-two of this Act shall apply as if the amount released were a sum received after the discontinuance.
- (3) This section applies, and applies only, to a release effected after the fifth day of April, nineteen hundred and sixty.

37 Payments on retirement or removal from office or employment

- (1) Subject to the provisions of this and the next following section, income tax shall be charged under Schedule E in respect of any payment to which this section applies which is made to the holder or past holder of any office or employment, or to his executors or administrators, whether made by the person under whom he holds or held the office or employment or by any other person.
- (2) This section applies to any payment (not otherwise chargeable to income tax) which is made, whether in pursuance of any legal obligation or not, either directly or indirectly in consideration or in consequence of, or otherwise in connection with, the termination of the holding of the office or employment or any change in its functions or emoluments, including any payment in commutation of annual or periodical payments (whether chargeable to tax or not) which would otherwise have been made as aforesaid.
- (3) For the purposes of this and the next following section, any payment made to the spouse or any relative or dependant of a person who holds or has held an office or employment, or made on behalf of or to the order of that person, shall be treated as made to that person, and any valuable consideration other than money shall be treated as a payment of money equal to the value of that consideration at the date when it is given.
- (4) Any payment which is chargeable to tax by virtue of this section shall be treated as income received on the following date, that is to say—
 - (a) in the case of a payment in commutation of annual or other periodical payments, the date on which the commutation is effected;

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- (b) in the case of any other payment, the date of the termination or change in respect of which the payment is made,
and shall be treated as emoluments of the holder or past holder of the office or employment assessable to income tax under Schedule E; and any such payment shall be treated for all the purposes of the Act of 1952 as earned income.
- (5) In the case of the death of any person who, if he had not died, would have been chargeable to tax in respect of any such payment, 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.
- (6) This section does not apply to any payment made before the sixth day of April, nineteen hundred and sixty, nor to any payment, whenever made, being—
- (a) a payment made in pursuance of an obligation incurred before that date; or
 - (b) a payment made in respect of a termination or change which took place before that date, not being a payment made in commutation of annual or periodical payments;
- but subject as aforesaid this section applies to payments made before as well as after the commencement of this Act.
- (7) Where any payment chargeable to tax under this section is made to any person in any year of assessment, it shall be the duty of the person by whom it is made to deliver particulars thereof in writing to the surveyor not later than fourteen days after the end of that year.

38 Exemptions and reliefs in respect of tax under s. 37

- (1) Tax shall not be charged by virtue of the last foregoing section in respect of the following payments, that is to say—
- (a) any payment made in connection with the termination of the holding of an office or employment by the death of the holder, or made on account of injury to or disability of the holder of an office or employment;
 - (b) any sum chargeable to surtax under section two hundred and forty-two of the Act of 1952 (consideration for certain restrictive covenants);
 - (c) a benefit provided in pursuance of any such scheme or agreement as is referred to in section three hundred and eighty-six of that Act, where the holder of the office or employment was chargeable to tax in respect of sums paid, or treated as paid, with a view to the provision of the benefit;
 - (d) a benefit paid in pursuance of any such scheme or fund as is described in subsection (1) and subsection (2) of section three hundred and eighty-seven of that Act (exemptions from charge to tax under the said section three hundred and eighty-six);
 - (e) any terminal grant, gratuity or other lump sum paid under any Royal Warrant, Queen's Order, or Order in Council relating to members of Her Majesty's forces, and any payment made in commutation of annual or other periodical payments authorised by any such Warrant or Order;
 - (f) a payment of benefit under any superannuation scheme administered by the government of an overseas territory within the Commonwealth, or of compensation for loss of career, interruption of service or disturbance made in connection with any change in the constitution of any such overseas territory to persons who, before the change, were employed in the public services of that territory;

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and references in paragraph (f) of this subsection to an overseas territory, to the government of such a territory and to employment in the public services of such a territory shall be construed as if they occurred in the Overseas Service Act, 1958, and subsections (2) and (3) of section seven of that Act (which relate to the construction of such references) shall apply accordingly.

- (2) Tax shall not be charged by virtue of the last foregoing section in respect of a payment in the case of which any of the following conditions is satisfied, that is to say—
- (a) in any case, that on the relevant date the holder of the office or employment was domiciled elsewhere than in the United Kingdom, and that immediately before that date he held the office or employment under or with any person, body of persons or partnership then resident outside, and not resident in, the United Kingdom; or
 - (b) in the case of a payment of compensation for loss of office—
 - (i) that the holder of the office or employment held it under a contract which did not require him to perform any of the duties of the office or employment in the United Kingdom; or
 - (ii) there being no express requirement in the contract as to the place of performance of those duties, that he did not perform any of them in the United Kingdom during the three years immediately preceding the relevant date; or
 - (c) in the case of a payment in respect of an office or employment in which the holder's service included foreign service, not being a payment of compensation for loss of office, that the foreign service comprised either—
 - (i) in any case, three-quarters of the whole period of service down to the relevant date; or
 - (ii) where the period of service down to the relevant date exceeded ten years, the whole of the last ten years; or
 - (iii) where the period of service down to the relevant date exceeded twenty years, one-half of that period, including any ten of the last twenty years;

and where an office or employment was in substance one the duties of which fell in any year to be performed outside the United Kingdom, there shall be treated for the purposes of paragraph (b) of this subsection as so performed any duties performed in the United Kingdom the performance of which was merely incidental to the performance of the other duties outside the United Kingdom.

- (3) Tax shall not be charged by virtue of the last foregoing section in respect of a payment of an amount not exceeding five thousand pounds, and in the case of a payment which exceeds that amount shall be charged only in respect of the excess:

Provided that where two or more payments in respect of which tax is chargeable by virtue of that section, or would be so chargeable apart from the foregoing provisions of this subsection, are 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, this subsection shall apply as if those payments were a single payment of an amount equal to that aggregate amount; and the amount of any one payment chargeable to tax shall be ascertained as follows, that is to say—

- (a) where the payments are treated as income of different years of assessment, the said sum of five thousand pounds shall be deducted from a payment treated

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as income of an earlier year before any payment treated as income of a later year; and

- (b) subject as aforesaid, the said sum shall be deducted rateably from the payments according to their respective amounts.
- (4) The person chargeable to tax by virtue of the last foregoing section in respect of any payment may, before the expiration of six years after the end of the year of assessment of which it is treated as income, by notice in writing to the surveyor claim any such relief in respect of the payment as is applicable thereto under the Fourth Schedule to this Act; and where such a claim is duly made and allowed, all such repayments and assessments of tax shall be made as are necessary to give effect thereto.
- (5) For the purposes of this section and of the Fourth Schedule to this Act offices or employments in respect of which payments to which the last foregoing section applies are made shall be treated as held under associated employers if, on the date which is the relevant date in relation to any of those payments, one of those employers is under the control of the other or of a third person who controls or is under the control of the other on that or any other such date.
- (6) In this section " the relevant date " , " payment of compensation for loss of office " and " foreign service " have the same meaning as in the Fourth Schedule to this Act, and references to an employer or to a person controlling or controlled by an employer include references to his successors.
- (7) Any dispute as to the domicile of any person arising under this section shall be referred and determined as provided by subsection (3) of section ten of the Finance Act, 1956, in the case of disputes as to domicile under paragraph 1 of Schedule E, and the provisions of that subsection shall apply with the necessary modifications accordingly.
- (8) For the purposes of any provision of the Act of 1952 or of this Act requiring income of any description to be treated as the highest part of a person's income, that income shall be calculated without regard to any payment chargeable to tax by virtue of the last foregoing section.

39 Application of Income Tax Acts to public departments

- (1) Subject to subsection (2) of this section, all the provisions of the Income Tax Acts relating to the assessment, charge, deduction and payment of income tax shall apply in relation to public offices and departments of the Crown:

Provided that nothing in those provisions shall require the payment by any such office or department of any tax which would be ultimately borne by the Crown.

- (2) Subsection (1) of this section shall not apply to public offices and departments of any country, state, province or colony specified in subsection (2) of section four hundred and sixty-one of the Act of 1952, and nothing in the said subsection (1) shall exempt any Government from taxation to which it is liable in connection with any office or department by virtue of section twenty-five of the Finance Act, 1925 (liability of Governments of places within, and certain places outside, Her Majesty's dominions to taxation in respect of trading operations).
- (3) Where premises are let (whether on a long lease or a short lease, and whether at a rack rent or otherwise) to any public office or department of the Crown to which, by virtue of the foregoing subsection, subsection (1) of this section does not apply, tax to be charged under Schedule A in respect of the premises shall be charged on and

paid by the landlord or person immediately entitled to the rent of the premises, for which purpose the annual value of the premises shall in all cases be determined by reference to the amount of the rent by the year at which they are let and the other terms of the lease.

- (4) In section one hundred and seventy of the Act of 1952 (under which tax must be deducted on the making of certain annual and other payments if not payable or not wholly payable out of profits or gains brought into charge to tax), any reference to a payment or sum as being not payable or not wholly payable as aforesaid shall be construed as a reference to it as being payable wholly or in part out of a source other than profits or gains brought into charge; and any such reference elsewhere in the Income Tax Acts shall be construed accordingly.
- (5) The foregoing provisions of this section shall be deemed always to have had effect; and, without prejudice to the generality of the foregoing, any deduction on account of income tax made from any payment at any time before the passing of this Act which would have been authorised or required if the said provisions had been in force at that time shall be deemed for all purposes (including all the purposes of legal proceedings instituted before the passing of this Act) to have been lawfully made:

Provided that where any deduction on account of tax was made before the sixth day of April, nineteen hundred and sixty, from the rent of premises let as mentioned in subsection (3) of this section and was such that it could have been lawfully made by a tenant other than an office or department of the Crown, that deduction shall be deemed to have been lawfully made, and, as regards the period to which the deduction related, tax shall not be chargeable under subsection (3) of this section on the person who suffered the deduction.

40 Extension of payments treated as " small maintenance payments "

- (1) In section two hundred and five of the Act of 1952 (which defines for the purposes of Chapter VII of Part VII of that Act the payments, there called "small maintenance payments ", which under that Chapter are to be made without deduction of tax)—
 - (a) for paragraph (a) of subsection (1) (which specifies payments to or for the benefit of a woman for her maintenance) there shall be substituted the following, that is to say—
 - “(a) by one of the parties to a marriage (including a marriage which has been dissolved or annulled) to or for the benefit of the other party to that marriage for that other party's maintenance ; or”;
 - (b) in paragraph (b) of subsection (1) (which specifies payments to any person for the benefit of, or for the maintenance or education of, a person under the age specified in subsection (2) of that section, that is to say, the age of twenty-one years), for the words " the age specified in subsection (2) of this section " there shall be substituted the words " twenty-one years of age, not being such a payment as is mentioned in paragraph (a) of this subsection ";
 - (c) in subsection (3) (which specifies a maximum weekly rate of five pounds in the case of such payments as are mentioned in the said paragraph (a) and of thirty shillings in the case of such payments as are mentioned in the said paragraph (b)), for paragraphs (a) and (b) there shall be substituted the following, that is to say—
 - “(a) in the case of payments falling within paragraph (a) of that subsection, seven pounds ten shillings; and

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- (b) in the case of payments falling within paragraph (b) of that subsection, fifty shillings.”
- (2) The foregoing subsection shall not affect payments falling due before the sixth day of April, nineteen hundred and sixty-one, under an order made before the thirty-first day of July, nineteen hundred and sixty:
- Provided that where an order so made is varied or revived at any time after the said thirty-first day of July, that subsection shall apply in relation to payments falling due under the order after that time.
- (3) Where a court makes an order in consequence of which payments falling due under a previous order which is not already a small maintenance order within the meaning of the said section two hundred and five will be treated as small maintenance payments within the meaning of that section by virtue of the proviso to the last foregoing subsection, the court shall furnish to the Commissioners of Inland Revenue, in such form as those Commissioners may prescribe, particulars of those orders, the names of the persons for the time being liable to make and entitled to those payments and, so far as known to the court, the addresses of those persons.
- (4) Subsection (2) of section two hundred and five of the Act of 1952 and section twenty-one of the Finance Act, 1957, shall cease to have effect, so however that the repeal thereof shall not affect payments in relation to which subsection (1) of this section is excluded by subsection (2) of this section.

41 Retirement annuities: relief for premiums

Subsection (3) of section twenty-three of the Finance Act, 1956 (which enables a premium for a retirement annuity paid after the end of a year of assessment but within the period beginning with the giving of notice of assessment for that year and ending six months after the assessment to qualify, in certain cases, for relief for that year) shall have effect, and be deemed always to have had effect, as if for the words from " beginning " to " ending " there were substituted the words " beginning with the end of that year and ending " ; and an election for the purposes of the said subsection (3) relating to a premium paid after the end of a year of assessment and before the date of the notice of assessment for that year shall in no case be out of time if made before the end of February, nineteen hundred and sixty-one.

42 Confirmation of double-taxation Agreement with the Republic of Ireland

- (1) The Agreement made on the twenty-third day of June, nineteen hundred and sixty, between the Governments of the United Kingdom and the Republic of Ireland relating to the Agreements set out in the Eighteenth Schedule to the Act of 1952 (which first-mentioned Agreement is set out in the Fifth Schedule to this Act) is hereby confirmed, and, subject to the necessary steps being taken to give it the force of law in the Republic of Ireland, shall have effect accordingly.
- (2) In subsection (2) of section three hundred and forty-nine of the Act of 1952 for the words from " and by the Agreement " to " 1959 " there shall be substituted the words " and by the Agreements set out in the Seventh Schedule to the Finance Act, 1959, and the Fifth Schedule to the Finance Act, 1960 " .
- (3) For the purpose of carrying out any obligation of the Government of the United Kingdom under Article 2 of the Agreement set out in the said Fifth Schedule, Her

Majesty may by Order in Council direct that any provisions of the Income Tax Acts specified in the Order (being provisions affecting in any way exemptions from income tax of persons resident in the United Kingdom) shall not affect, and be deemed not to have affected, exemptions from income tax which persons enjoy as not resident in the United Kingdom but resident in the Republic of Ireland.

43 Interpretation of Part II

- (1) For the purposes of this Part of this Act two or more companies shall be treated as associated companies if one has control of the other or others, or any person has control of both or all of them.
- (2) References in this Part of this Act to a company having control of another company shall be construed as references to its having control thereof either by itself or in conjunction with any person having control over the first mentioned company.
- (3) References in this Part of this Act to capital expenditure unallowed shall be construed as including references to the residue of capital expenditure; and Part X of the Act of 1952 shall with the necessary modifications have effect, in relation to assets of any description, for the construction of any such reference in this Part of this Act as it has effect in relation to assets of that description, for the construction of such a reference in the said Part X.
- (4) In this Part of this Act—
 - (a) " the Board of Referees " means the Board appointed for the purposes of section two hundred and eighty-seven of the Act of 1952 ;
 - (b) " company " includes any body corporate ;
 - (c) " control " has the same meaning as in Part X of the Act of 1952;
 - (d) " dealing company " means a company dealing in securities, land or buildings and includes any company whose profits on the sale of securities, land or buildings are part of its trading profits ;
 - (e) " investment company " means a company whose business consists mainly in the making of investments and the principal part of whose income is derived therefrom ;
 - (f) " securities " includes shares, " shares ", except where the context otherwise requires, includes stock, and references to dividends include references to interest;
 - (g) " tax advantage " means a relief or increased relief from, or repayment or increased repayment of, income tax, or the avoidance or reduction of an assessment to income tax or the avoidance of a possible assessment thereto, whether the avoidance or reduction is effected by receipts accruing in such a way that the recipient does not pay or bear tax on them, or by a deduction in computing profits or gains ;
 - (h) " trading stock " has the same meaning as in section one hundred and forty-three of the Act of 1952 ;
 - (i) " transaction in securities " includes transactions, of whatever description, relating to securities, and in particular—
 - (i) the purchase, sale or exchange of securities,
 - (ii) the issuing or securing the issue of, or applying or subscribing for, new securities,
 - (iii) the altering, or securing the alteration of, the rights attached to securities.

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(5) References in this Part of this Act to work in progress at the discontinuance of a profession or vocation shall be construed as references to—

- (a) any services performed in the ordinary course of the profession or vocation, the performance of which was wholly or partly completed at the time of the discontinuance and for which it would be reasonable to expect that a charge would have been made on their completion if the profession or vocation had not been discontinued; and
- (b) any article produced, and any such material as is used, in the performance of any such services;

and references as aforesaid to the transfer of work in progress shall include references to the transfer of any benefits and rights which accrue or might be reasonably expected to accrue from the carrying out of the work.