



Finance Act 1960

1960 CHAPTER 44

PART V

MISCELLANEOUS

72 Capital allowances for certain business or estate management expenditure

- (1) Subject to the provisions of this section, as respects the year 1960-61 and subsequent years of assessment Chapter II of Part X of the Income Tax Act, 1952, and such other provisions of the Income Tax Acts as relate to allowances (including investment allowances) under that Chapter and to charges thereunder shall apply with any necessary adaptations in relation to any such machinery or plant as is mentioned in subsection (2) of this section as they apply in relation to machinery or plant provided for use or used for the purposes of a trade; and in relation to any allowances and balancing charges which fall to be made by virtue of this section the Income Tax Acts shall apply (except as respects the time and manner of claiming or giving effect to the allowances or charges) as if they were to be made in charging the profits or gains of a trade:

Provided that no investment allowance shall be made by virtue of subsection (2) of section two hundred and seventy-nine of the Income Tax Act, 1952 (which relates to expenditure incurred for the purposes of a trade by a person about to carry it on), in respect of expenditure incurred before the year 1960-61.

- (2) The machinery or plant to which the said Chapter II is to apply by virtue of the foregoing subsection is—
- (a) machinery or plant provided for use or used for the purposes of the management of—
 - (i) the business of any such company as is mentioned in section four hundred and twenty-five of the Income Tax Act, 1952 (which relates to certain life assurance companies and investment companies), or
 - (ii) the business of any body of persons to which that section is applied by section four hundred and thirty-eight of the Act (which relates to savings banks and certain industrial and provident societies); and

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- (b) machinery or plant provided for use or used by the owner of land or houses chargeable under Schedule A for the maintenance, repairs or management of the land or houses.
- (3) Allowances and balancing charges which by virtue of this section fall to be made to or on a person for any year of assessment shall be made, on his management expenses claim in respect of the business referred to in paragraph (a) of the last foregoing subsection, or his maintenance claim in respect of the land or houses referred to in paragraph (b) thereof, as the case may be, by adding the amount of any such allowances to the relevant expenditure and by deducting the amount on which any such charge is to be made from that expenditure (or from the sum of that expenditure and any addition made to it under this subsection):
- Provided that—
- (a) any charge shall be made under Case VI of Schedule D if or in so far as a deduction cannot be made for it under this subsection (whether for the want of a management expenses claim or maintenance claim or for the want or insufficiency of the relevant expenditure) ; and
 - (b) the net amount which under this subsection is added to or deducted from the relevant expenditure on a person's maintenance claim in respect of any land or houses shall, on any assessment in respect of the same property made by virtue of section one hundred and seventy-six of the Income Tax Act, 1952 (which relates to excess rents under certain short leases), be also added to or deducted from the corresponding amount referred to in paragraph (g) of subsection (1) of that section.
- (4) In relation to allowances and charges falling to be made for any year of assessment in accordance with this section,—
- (a) the basis period for the purposes of the said Chapter II is that year of assessment; and
 - (b) " the relevant expenditure" in the last foregoing subsection—
 - (i) in the case of allowances and charges to be made on a management expenses claim, means the sums disbursed as expenses of management of the business for that year ; and
 - (ii) in the case of allowances and charges to be made on a maintenance claim, means the cost to the claimant of maintenance, repairs, insurance and management in respect of the land or houses for that year as determined under section one hundred and one of the Income Tax Act, 1952.
- (5) Where the allowances falling by virtue of this section to be made to a person on a maintenance claim for any year of assessment, other than investment allowances, exceed the increase due to those allowances in the following amounts, that is to say,—
- (a) the amount by which that person's total income for the year in question is reduced by the operation of the said section one hundred and one or paragraph (g) of subsection (1) of the said section one hundred and seventy-six; and
 - (b) the amount which is to be treated under section three hundred and thirteen of the Income Tax Act, 1952 (which relates to cases where the assessment on agricultural land is too low for full relief to be given under section one hundred and one), as an allowance for that year falling to be made to that person by way of discharge or repayment of tax ;

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the excess shall be left out of account for the purpose of determining whether any, and if so what, balancing allowance or balancing charge falls to be made to or on him for any subsequent year of assessment, and for that purpose shall be deducted from the allowances (if more than one) rateably in proportion to their amounts or in such other manner as he may elect.

Nothing in this subsection shall affect the operation of section two hundred and ninety-five of the Income Tax Act, 1952 (under Which annual allowances are deemed to have been made in certain cases for years in which they are not made), nor shall anything in that section affect the operation of this subsection.

- (6) No allowance, other than an investment allowance, and no balancing charge shall be made by virtue of this section for any year of assessment in respect of expenditure incurred by any person on machinery or plant, except in pursuance of an election made by him for that year of assessment; but an election for any year of assessment shall have effect as an election for that and all subsequent years of assessment.
- (7) An election under the last foregoing subsection shall be made in a management expenses claim or a maintenance claim, as the case may be, and may be made either for all machinery or plant provided for use or used for the purposes of the management of the relevant business, or for the maintenance, repairs or management of the relevant land or houses, as the case may be, or for any class of machinery or plant so provided or used; but an election for machinery or plant of any class shall not be made for any year of assessment after effect has been given without such an election to a management expenses or maintenance claim relating to that or a subsequent year of assessment in respect of the business or of the land or houses in question.
- (8) Corresponding allowances or charges in the case of the same machinery or plant shall not be made under the said Chapter II (whether for the same year of assessment or for different years) both on a management expenses or maintenance claim and in some other way ; and, on any management expenses claim, maintenance claim or assessment under the said section one hundred and seventy-six, expenditure to which an election under this section applies shall not be taken into account otherwise than under the said Chapter II (except, on a management expenses claim, for the purpose of carrying forward a sum from a previous year of assessment in accordance with subsection (1A) of section four hundred and twenty-five of the Income Tax Act, 1952).
- (9) For the purposes of a claim by a company for the year 1960-61 or any subsequent year of assessment under subsection (5) of section two hundred and sixty-two of the Income Tax Act, 1952 (which provides that for the purposes of the charge of surtax under that section on an investment company's income other than estate or trading income there may be deducted any excess of certain expenditure on maintenance, repairs, insurance and management over the gross estate or trading income of the company), the cost of maintenance, repairs, insurance and management incurred by the company in the year, and the amount of its gross estate or trading income for the year, shall be computed in all respects as if this section had not been passed; and for the proviso to the said subsection (5) there shall, in relation to any such claim, be substituted—

“Provided that the expenditure taken into account for the purpose of making any such reduction as aforesaid in a company's income shall, in computing the company's estate or trading income for any subsequent year, be treated as reduced rateably by the amount of the said reduction in the company's income”.

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- (10) Where under the Second Schedule to the Finance Act, 1954, an investment allowance made by virtue of this section is withdrawn, or an initial allowance is substituted therefor, any tax which becomes chargeable by reason of the withdrawal or substitution, may, if not otherwise recovered, be assessed under Case VI of Schedule D and recovered accordingly, and any such assessment may be made at any time.
- (11) In this section—
 " management expenses claim " means a claim under section four hundred and twenty-five of the Income Tax Act, 1952;
 " maintenance claim " means a claim under section one hundred and one of that Act; and references to the purposes of the management of a business are to be taken as referring to those purposes expenditure on which would, apart from this section, be treated as expenses of management on a management expenses claim in respect of the business.
- (12) The Income Tax Acts shall have effect, and this section shall be construed, as if the foregoing provisions of this section were contained in the said Chapter II.
- (13) The references in this section to the Income Tax Acts shall include subsection (12) of section sixteen of the Finance Act, 1954 (which provides for investment allowances for the purposes of the profits tax); but save as aforesaid this section shall not affect the profits tax.