



Finance Act 1920

1920 CHAPTER 18

PART IV

EXCESS PROFITS DUTY

44 Continuation and increase of rate of excess profits duty

- (1) The Finance (No. 2) Act, 1915 (in this Part of this Act referred to, as " the principal Act"), shall, so far as it relates to excess profits duty, apply, unless Parliament otherwise determines, to any accounting period ending on or after the fifth day of August nineteen hundred and twenty, and before the fifth day of August nineteen hundred and twenty-one, as it applies to accounting periods ended after the fourth day of August nineteen hundred and fourteen, and before the fifth day of August nineteen hundred and twenty.
- (2) Section thirty-eight of the principal Act shall, as respects excess profits arising in any accounting period commencing on or after the first day of January nineteen hundred and twenty, have effect as if sixty per cent. of the excess were substituted as the rate of duty for forty per cent. of the excess, or, in the case of an accounting period which commenced before that date but ends after that date, as if sixty per cent. were substituted for forty per cent. as respects so much of the excess as may be apportioned under this Part of this Act to the part commencing on that date.

In calculating any repayment or set off under subsection (3) of section, thirty-eight of the principal Act any amount to be repaid or set off on account of a deficiency or loss arising in any accounting period commencing on or after the first day of January nineteen hundred and twenty, or, in the case of an accounting period which has commenced before that date but ends after that date, on account of so much of the deficiency or loss as may be apportioned under this Part of this Act to the part commencing on that date, shall be calculated by reference to duty at the rate of sixty per

Any additional duty payable by virtue of this section in respect of a past accounting period may be assessed and recovered notwithstanding that duty has already been assessed in respect of that period.

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- (3) In the case of a trade or business which is owned or carried on by any person who has served during the war as a member of any of the naval or military forces of the Crown, or of the Air Force or in service of a naval or military character in connection with the war for which payment was made out of money provided by Parliament, or in any work abroad of the British Red Cross Society or the Order of St. John of Jerusalem or any other body with similar objects, and which was commenced by that person for the first time, or having been wholly discontinued by him during the war or some part of the war was recommenced by him, after his demobilisation or discharge, subsection (1) of section thirty-eight of the principal Act shall have effect as though " five hundred pounds " were substituted for " two hundred pounds. "

45 Amendment as respects pre-war standard in accounting periods ending after 31st December 1919

In the application of Part III. of the principal Act to excess profits duty for any accounting period ending after the thirty-first day of December, nineteen hundred and nineteen, the following provisions shall have effect:—

- (1) For the pre-war standard of profit there shall, on the application of the taxpayer, be substituted a standard (in this section referred to as " the substituted standard ") of an amount equal in the case of a trade or business which had no pre-war trade year to the statutory percentage on the average amount of capital employed "in the first accounting period, and in the case of any other trade or business to the percentage standard with the addition in either case of a sum of five hundred pounds in respect of each working proprietor in the trade or business :

Provided that—

- (a) the amount of the substituted standard shall not, as respects any trade or business, exceed the sum of seven hundred and fifty pounds in respect of each working proprietor in the trade or business; and
- (b) in computing the profits of a trade or business in any accounting period as respects which the substituted standard is in force, no deduction shall be allowed in respect of the remuneration of any working proprietor; and
- (c) where the accounting period is less than a year the substituted standard shall be proportionately reduced; and
- (d) where a substituted standard has been adopted in the case of any trade or business for any accounting period the provisions of paragraph (4) of section twenty-six of the Finance Act, 1917, as amended by this Part of this Act, shall not have effect as regards that trade or business in respect of that accounting period.
- (e) Nothing in this paragraph shall affect the operation of any agreements made between the Food Controller and the owners of controlled flour mills which provide for determining the amount of any payment to be made or received under such agreements by reference to the prewar standard of profits, and any such agreements shall have effect as if this Act had not passed.

In this paragraph—

The expression " trade or business " means any trade or business carried on either by an individual or by persons in partnership or by a private company within the meaning of the Companies (Consolidation) Act, 1908;

The expression " proprietor " means, as the case may be, the individual carrying on the business, any partner in the partnership, or any director of the

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company owning not less than twenty per cent. of the share capital or stock of the company;

The expression " working proprietor " means a proprietor who has, during not less than one half the accounting period, worked full time in the actual management or conduct of the trade or business, but no person shall be deemed to be a working proprietor in the same accounting period in respect of more than one trade or business;

Where any person who served during the war as a member of any of the naval or military forces of the Crown or of the Air Force or in service of a naval or military character in connection with the war, for which payment was made out of moneys provided by Parliament, or in any work abroad of the British Red Cross Society or the Order of St. John of Jerusalem or any other body with similar objects, and was before entering on such service working full time in the actual management or conduct of a trade or business, has died and the trade or business is being carried on for the benefit of his widow, the same standard shall be allowed for the trade or business as would have been allowed under the foregoing provisions of this section if the deceased person had been a working proprietor during the accounting period.

- (2) Any trade or business carried on or owned by a company or other body corporate whose directors have a controlling interest shall, for the purpose of the provisions of the principal Act relating to the statutory percentage as amended by any other enactment, be treated as if it were a trade or business carried on or owned by a body other than a body corporate :

In this paragraph the expression " director" includes any person engaged in the management of the trade or business whose remuneration is provided out of the funds of the trade or business.

- (3) In paragraph (4) of Part II. of the Fourth Schedule to the principal Act the words " during the first accounting period " shall be substituted for the words " during the accounting period. "

46 Amendment of ss.(3) of s.38 of 5 & 6 Geo.5 c.89, with respect to munitions exchequer payments

For the purposes of any claim to repayment or set-off under subsection (3) of section thirty-eight of the principal Act (which provides for the repayment of excess profits duty paid and for a set-off against excess profits duty payable), any sum paid by the claimant by way of munitions exchequer payments shall be treated as though it were a sum paid by way of excess profits duty.

47 Amendments of s.26 of 7 & 8 Geo.5 c.31 as respects accounting periods ending after 31st December 1919

In the application of Part III. of the principal Act to excess profits duty for any accounting period ending after the thirty-first day of December, nineteen hundred and nineteen, section twenty-six of the Finance" Act, 1917, shall have effect as though in paragraph (1) "five per cent." were substituted for " three per cent., " and as though in paragraph (4) for the words " five hundred pounds " and " two thousand pounds," respectively, wherever those words occur, there were substituted the words " two thousand pounds " and " four thousand pounds," respectively.

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48 Allowance in respect of charitable contributions

Where, out of the profits of a trade or business, any contribution has been made after the sixteenth day of July, nineteen hundred and twenty, to any trust, society, or body of persons in the United Kingdom established solely for the purpose of the relief of the poor or the sick, or for the advancement of religion, education, or for scientific research, there shall, for the purposes of excess profits duty, be allowed, in the computation of the profits of the trade or business arising in the accounting period within which such contribution was made, a deduction in respect of such contribution of an amount not exceeding five per cent. of those profits as calculated for the purposes of excess profits duty (before adjustment for increased or decreased capital and before making any deduction under this section), and not exceeding twenty per cent. of the amount of such contribution.

This section shall not apply to any contribution which, apart from the provisions of this section, would be admissible as a deduction from profits for the purposes of excess profits duty.

49 Increase of rate of excess mineral rights duty

- (1) Section forty-three of the principal Act (which relates to excess mineral rights duty) shall have effect as if sixty per cent. of the excess were substituted as the rate of duty for forty per cent. for any accounting year commencing on or after the first day of January nineteen hundred and twenty, or, in the case of an accounting year which commenced before that date but ends after that date, as if sixty per cent. were substituted for forty per cent. as respects so much of the excess as may be apportioned under this Act to the part commencing on that date, and any additional duty may be recovered accordingly.
- (2) The proviso to section twenty-one of the Finance Act, 1917, shall apply to any accounting year in respect of which or any part of which excess mineral rights duty is payable under this Part, of this Act at the rate of sixty per cent., as it applies where the said duty is payable at the rate of eighty per cent.

50 Apportionment of accounting periods and years

Where part of an accounting period or of an accounting year is after, and part before, the beginning of the first day of January nineteen hundred and twenty, the total excess profits and any deficiencies or losses arising in any such accounting period, and the total excess rent for any such accounting year, shall be apportioned between the time up to, and the time after, that date in proportion to the number of months or fractions of months before and after that date respectively.

51 Interpretation

In this Part of this Act references to the principal Act, or to any provisions of that Act, shall be construed as references to that Act, or those provisions as amended and extended by any subsequent enactment.