



Finance Act 1947

1947 CHAPTER 35

PART IV

THE PROFITS TAX.

Principal changes of the law.

30 Rate of the profits tax.

- (1) Subject to the provisions of this Part of this Act—
 - (a) the profits tax to be charged for any chargeable accounting period on the profits of a trade or business shall be of an amount equal to twelve and a half per cent. of the profits ; and
 - (b) accordingly, in subsection (1) of section nineteen of the Finance Act, 1937, for the words " of an amount equal to five per cent. of those profits in a case where the trade or business is carried on by a body corporate and four per cent. of those profits in any other case " there shall be substituted the words " of an amount equal to twelve and a half per cent. of those profits ".
- (2) Subject to the provisions of this Part of this Act, if, in the case of any trade or business, the net relevant distributions to proprietors (as defined in the subsequent provisions of this Part of this Act) for any chargeable accounting period are less than the profits thereof for that period chargeable to the profits tax, the amount chargeable by way of the profits tax in respect of that period shall be reduced by an amount equal to seven and a half per cent. of the difference.
- (3) Subject to the provisions of this Part of this Act, if, in the case of a trade or business, the net relevant distributions to proprietors (as defined in the subsequent provisions of this Part of this Act) for any chargeable accounting period are greater than the profits thereof for that period chargeable to the profits tax, there shall be charged for that period, in addition to the other profits tax, if any, chargeable therefor, profits tax at the rate of seven and a half per cent. on the amount of the difference :

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Provided that the amount on which tax is chargeable under this subsection for any chargeable accounting period shall not, when added to the total of the amounts on which tax is charged thereunder for previous chargeable accounting periods, exceed the total of the differences in respect of which reductions have been made under subsection (2) of this section for previous chargeable accounting periods.

- (4) The reductions falling to be made under subsection (2) of this section and the charges falling to be made under subsection (3) thereof are hereafter in this Act respectively referred to as "reliefs for non-distribution" and "distribution charges."

31 Exemption of individuals and partnerships of individual from the profits tax.

- (1) Subject to the provisions of this Part of this Act relating to partnerships where one or more of the partners is a body corporate and to the provisions thereof relating to trades or businesses carried on by liquidators, receivers, managers, trustees, judicial factors and other similar persons,—
- (a) section nineteen of the Finance Act, 1937 (being the section which charges the profits tax) shall not apply to any trade or business unless it is carried on by a body corporate or by an unincorporated society or other body ; and
 - (b) the chargeable accounting periods of any other trade or business to which the said section nineteen ceases to apply by virtue of this subsection shall be determined as if the years of charge to the profits tax had ended at the end of the year nineteen hundred and forty-six :

Provided that—

- (i) the reference in paragraph (a) of this subsection to an unincorporated society or other body shall be deemed not to include a reference to individuals in partnership or to persons acting as the personal representatives of a deceased person ; and
 - (ii) the reference in the said paragraph (a) to a body corporate shall be deemed not to include a reference to a body corporate acting as the personal representative, or as one of the personal representatives, of a deceased person.
- (2) The said section nineteen shall not apply to any trade or business carried on by a body corporate during any chargeable accounting period if, for a year or period which includes, or for years or periods which together include, the whole of the chargeable accounting period, the actual income of the body corporate from all sources is apportioned under or for the purposes of section twenty-one of the Finance Act, 1922, and all the persons to whom it is apportioned are individuals.
- (3) If, for a year or period which includes, or for years or periods which together include, the whole of a chargeable accounting period of a trade or business carried on by a body corporate, the actual income of the body corporate from all sources is apportioned under or for the purposes of the said section twenty-one, and some (but not all) of the persons to whom the income is apportioned are individuals, then if by notice in writing given to the Commissioners within six months from the end of that chargeable accounting period, or such longer time as the Commissioners may in any case allow, the body corporate and the persons other than individuals to whom the income is apportioned jointly so elect as respects that chargeable accounting period and each subsequent chargeable accounting period the whole of which is included in a year or period or years or periods for which the said actual income is so apportioned to those persons and persons who are individuals, the provisions of this Part of this Act shall apply as if—

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- (a) the trade or business had been carried on, during that and each such subsequent chargeable accounting period, in partnership by the persons to whom the income is apportioned, and the share of any one of them of the profits and losses of the trade or business therefor had been equal to the proportion of the income apportioned for the year or period or years or periods in question which is apportioned therefor to that one of them ; and
 - (b) any payment which is received from the body corporate during that or any such subsequent chargeable accounting period by any of the persons to whom the income is apportioned, and which is not allowable as a deduction in computing the profits of the trade or business therefor, had not been made ;
- and the body itself shall not be chargeable to profits tax for that or any such subsequent chargeable accounting period.
- (4) In ascertaining for the purposes of the last two preceding subsections to what persons income is apportioned, account shall, in cases where an original apportionment, as defined in subsection (4) of section thirteen of the Finance Act, 1939, and any sub-apportionment, as so defined, are involved, be taken only of persons to whom income is finally apportioned as the result of the whole process of original apportionment and sub-apportionment.

32 Investment income to be included in computing profits.

- (1) For sub-paragraph (i) of paragraph 7 of the Fourth Schedule to the Finance Act, 1937, there shall be substituted the following sub-paragraphs :—

- “7 (1) Income received from investments or other property shall be included in the profits except—
- (a) income received directly by way of dividend or distribution of profits from a body corporate carrying on a trade or business to which section nineteen of this Act applies; and
 - (b) income so received from any other body corporate, being income received indirectly by way of dividend or distribution of profits from a body corporate carrying on such a trade or business as aforesaid ; and
 - (c) income to which the persons carrying on the trade or business are not beneficially entitled:

Provided that the profits of a body corporate which, either alone or in conjunction with any statutory undertakers carrying on a trade or business to which subsection (5) of the said section nineteen applies, has a controlling interest in any other body corporate, being such statutory undertakers as aforesaid, shall not in any case include any income received from that other body corporate.

- (1A) Any reference in any enactment relating to the profits tax to franked investment income shall be construed as a reference to the income which would be included in the profits if paragraphs (a) and (b) of the preceding sub-paragraph had been omitted, and, in computing profits for the purposes of so much of any such enactment as refers to profits including franked investment income, the said sub-paragraph shall have effect as if the said paragraphs (a) and (b) were omitted.”

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- (2) Section forty-five of the Finance Act, 1938 (which limits the amount of investment income to be included in the profits of certain assurance businesses) shall cease to have effect.

33 Abatement of profits in certain cases.

- (1) Where the profits arising in any chargeable accounting period from a trade or business, computed apart from the provisions of this and the two next succeeding subsections and including franked investment income, do not exceed two thousand pounds, the profits arising from the trade or business for that period shall, subject to the provisions of subsection (4) of this section, be deemed for all the purposes of the enactments relating to the profits tax to be nil.
- (2) Where the profits arising in any chargeable accounting period from a trade or business, computed apart from the provisions of the preceding subsection, this subsection and the next succeeding subsection, and including franked investment income, exceed two thousand pounds but are less than twelve thousand pounds, the profits arising from the trade or business in that period shall, subject to the provisions of subsection (4) of this section, be deemed for all the purposes of the enactments relating to the profits tax, to be reduced—
- (a) where there is no franked investment income, by a sum equal to one-fifth of the difference between the amount of the profits computed as aforesaid and twelve thousand pounds;
 - (b) where there is franked investment income, by a sum which bears to one-fifth of the difference between the profits, computed as aforesaid and including franked investment income, and twelve thousand pounds the same proportion that the profits arising in that period from the trade or business, computed as aforesaid but not including franked investment income, bear to the profits arising in that period from the trade or business, computed as aforesaid but including franked investment income.
- (3) In relation to a chargeable accounting period of less than twelve months, references in this section to two thousand pounds and twelve thousand pounds shall be construed as references to a sum which bears the same proportion to two thousand pounds or twelve thousand pounds, as the case may be, as the length of the period bears to twelve months.
- (4) Notwithstanding anything in subsections (1) to (3) of this section, any profits which, under any of the following provisions of this Part of this Act or any other provision of any enactment relating to the profits tax, are directed to be computed " without abatement " shall be computed as if those subsections had not passed.

The said subsections (1) to (3) are hereafter in this Act referred to as " the provisions for abatement."

- (5) Section twenty-one of the Finance Act, 1937, shall cease to have effect.

Supplementary provisions as to non-distribution relief and distribution charges.

34 Meaning of " net relevant distributions to proprietors ".

- (1) The provisions of this and the three next succeeding sections shall, subject to the subsequent provisions of this Part of this Act, have effect for the purpose of

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determining, in relation to any body corporate, unincorporated society or other body, what is to be taken, for the purposes of the provisions of this Act relating to reliefs for non-distribution and distribution charges, as the net relevant distributions to proprietors for any chargeable accounting period of that body corporate, society or other body.

- (2) The net relevant distributions to proprietors for any chargeable accounting period of a body corporate, society or other body are so much of the gross relevant distributions to the proprietors for that period of that body corporate, society or other body (as defined by the next succeeding section) as bears to the whole of the said gross relevant distributions the same proportion that the profits for that period bear to the profits therefor computed without abatement and including franked investment income :

Provided that where the said gross relevant distributions exceed the profits computed without abatement and including franked investment income, the net relevant distributions shall be the sum of—

- (a) the profits for the period computed with due regard to the provisions for abatement but not including franked investment income ; and
- (b) the amount of the excess.

35 Meaning of " gross relevant distributions to proprietors ".

- (1) Subject to the provisions of this and the two next succeeding sections, the gross relevant distributions to proprietors for any chargeable accounting period of a body corporate, society or other body, are the total distributions to the members of the body corporate, society or other body, not being distributions allowable as deductions in computing the profits of the trade or business for any period for the purposes of the profits tax, and being either—

- (a) dividends declared not later than six months after the end of that period which are expressed to be paid in respect of that period or any" part thereof ; or
- (b) distributions (other than dividends which, under paragraph (a) of this subsection, are to be treated as part of the gross relevant distributions to proprietors for any previous chargeable accounting period) made in the period ; or
- (c) in the case of the last chargeable accounting period in which the trade or business is carried on, so much of any distribution made after the end of that period (not being a distribution to which paragraph (a) of this subsection applies) as is not a distribution of capital,

and, for the purposes of paragraph (c) of this subsection, the distributions which are to be treated as distributions of capital shall not, in the case of distributions made by a body corporate with a share capital, exceed an amount equal to the total nominal amount of the paid-up share capital thereof together, where the body corporate has issued shares at a premium for cash, with the aggregate of the amounts of the premiums.

- (2) If the Commissioners are satisfied, with respect to a dividend declared more than six months after the end of a chargeable accounting period which is expressed to be paid in respect of that period or any part thereof, that the dividend could not reasonably have been declared before the expiration of the said six months, they may, if they think fit, direct that it shall be treated for the purposes of subsection (1) of this section as if it had been declared within the said six months.

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- (3) Where the person carrying on the trade or business so elects by notice in writing given to the Commissioners within six months from the passing of this Act or such longer time as they may in any case allow, subsections (1) and (2) of this section shall apply, in relation to all chargeable accounting periods of that trade or business, with the substitution for references therein to six months of references to nine months, or, in the case of a company carrying on business or having interests abroad, twelve months.
- (4) If, in the case of any chargeable accounting period falling wholly or partly before the beginning of the year nineteen hundred and forty-seven, the total of the dividends expressed to be paid in respect of, or of any part of, that period exceeds the total of the dividends expressed to be paid in respect of, or of any part of, the immediately preceding chargeable accounting period, the dividends in respect of the whole or any part of the first mentioned chargeable "accounting period declared after the fifteenth day of April, nineteen hundred and forty-seven, shall, to the extent of the excess, be treated as a distribution for the chargeable accounting period in which they are paid and not of the period in respect of which they are expressed to be paid :

Provided that—

- (a) where the amount of any class of paid-up share capital on which dividends are expressed to be paid in respect of, or of any part of, the preceding chargeable accounting period is less than the amount of that class of paid-up share capital on which dividends are expressed to be paid in respect of, or of any part of, the succeeding chargeable accounting period, the dividends on that class of capital expressed to be paid in respect of, or of part of, the said preceding period shall, if the person carrying on the trade or business so elects, be treated for the purposes of this subsection as correspondingly increased; and
- (b) where the preceding chargeable accounting period is longer or shorter than the succeeding chargeable accounting period, the total dividends expressed to be paid in respect of, or of any part of, the said preceding period shall be treated for the purposes of this subsection as correspondingly reduced or increased.
- (5) In this section, the expression " dividend " includes an interim dividend, and a dividend shall be treated as being declared—
- (a) in the case of a dividend declared by a body or society in general meeting, at the date of the declaration ;
- (b) in any other case, at the date on which it is paid :

Provided that—

- (i) where a dividend is declared in general meeting in accordance with a recommendation of the directors and the directors' decision to make that recommendation was, with the authority of the directors, publicly announced at an earlier date, the dividend shall, for the purposes of this section, be treated as declared at that earlier date ; and
- (ii) where a dividend not so declared is paid in accordance with a decision of the directors, and that decision was, with their authority, publicly announced at an earlier date, the dividend shall, if the body or society so elects, for the purposes of this section be treated as declared at that earlier date.

36 Meaning of " distribution " and provision with respect to repaid loans.

- (1) Subject to the provisions of the next succeeding subsection, wherever—

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- (a) any amount is distributed directly or indirectly by way of dividend or cash bonus to any person ; or
- (b) assets are distributed in kind to any person ; or
- (c) where the trade or business is carried on by a body corporate the directors whereof have a controlling interest therein, an amount is applied, whether by way of remuneration, loans or otherwise, for the benefit of any person,

there shall be deemed for the purposes of the last preceding section to be a distribution to that person of that amount or, as the case may be, of an amount equal to the value of those assets :

Provided that no sum applied in repaying a loan or in reducing the share capital of the person carrying on the trade or business shall be treated as a distribution.

- (2) Where a distribution is one in respect of which the person making it is authorised or required to deduct income tax, the amount of the distribution shall be taken for the purposes of the last preceding section to be the amount which represents or would be deemed to represent income for the purposes of the Income Tax Acts.

- (3) Where—

- (a) a loan has been treated as part of the gross relevant distributions to proprietors for a chargeable accounting period; and
- (b) as a result, the amount of tax payable for that period has been increased,

then, if the loan is repaid, the gross relevant distributions to proprietors for the period in which repayment is made, or, if the repayment is made after the end of the last chargeable accounting period of the trade or business, the gross relevant distributions to proprietors for the said last period, shall be treated as reduced by the amount corresponding to the increase, that is to say, by the amount tax on which, at seven and a half per cent., would be equal to the increase; and if the said corresponding amount is greater than the said gross relevant distributions, the excess shall be carried forward so as to reduce the gross relevant distributions to proprietors for the next chargeable accounting period and so on for subsequent chargeable accounting periods.

- (4) Where—

- (a) as part of a scheme of amalgamation or reconstruction a trade or business carried on by a body corporate (in this subsection referred to as " the first company ") is transferred to another body corporate (in this subsection referred to as " the second company ") ;
- (b) the consideration for the transfer consists wholly or mainly of shares in the second company ; and
- (c) the first and second companies jointly so elect by notice in writing given to the Commissioners within six months after the transfer or such longer time as the Commissioners may in any case allow,

the provisions of this Part of this Act shall apply subject to the following modifications, that is to say—

- (i) any distribution of those shares to any person in a winding up of the first company shall, notwithstanding anything in subsection (1) of this section, not be deemed for the purposes of the last preceding section to be a distribution to that person ; and
- (ii) in considering what distribution charge, if any, falls to be made on the second company, any difference on which non-distribution relief for chargeable accounting periods before the transfer was given to the first company or other person assessable to profits tax on the profits of the trade or business of the

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first company shall, except so far as it has already operated to increase a distribution charge on the first company, be taken into account as if it had been a difference arising in relation to the second company on which non-distribution relief had been given to that company, and shall also be taken into account, in the case of the last chargeable accounting period of the second company, so as to increase the amount which, for the purposes of paragraph (c) of subsection (1) of the last preceding section, is to be treated as not a distribution of capital.

37 Apportionments to be made to arrive at gross relevant distributions for a period.

- (1) Where a chargeable accounting period is not a period for which the accounts of the trade or business have been made up, the gross relevant distributions to proprietors shall be computed in relation to the periods for which accounts relating to the trade or business have been made up (being periods falling wholly or partly within the chargeable accounting period) as if those periods were chargeable accounting periods, and such division and apportionment to specific periods of the amounts so computed and such aggregation of any such amounts or of any apportioned parts thereof shall be made as appears necessary to arrive at the gross relevant distributions to proprietors for the chargeable accounting period.
- (2) Any apportionment under this section shall be made in proportion to the number of months or fractions of months in the respective periods.

Provisions applicable in special cases.

38 Subsidiary companies.

- (1) Where a notice under subsection (1) of section twenty-two of the Finance Act, 1937 (which relates to subsidiary companies) is in force—
 - (a) the franked investment income, and the gross relevant distributions, of the subsidiary to which the notice relates for any chargeable accounting period shall for all purposes be included in the franked investment income and the gross relevant distributions of the principal company for the corresponding chargeable accounting period of that company; but
 - (b) no franked investment income received by the principal company directly from that subsidiary, or received by the subsidiary directly from the principal company or directly from any other subsidiary of the principal company with respect to which such a notice is in force given by that company, and no distributions made by the principal company to the subsidiary, or by the subsidiary to the principal company or to any such other subsidiary of the principal company as aforesaid, shall be so included.
- (2) Where the following conditions are fulfilled, that is to say—
 - (a) while such a notice as aforesaid is in force, the net relevant distributions to proprietors for any chargeable accounting period are, in the case of the principal company, greater than the profits for that period chargeable to the profits tax ; and
 - (b) in any chargeable accounting period of the subsidiary, being a period before the notice came into force, the net relevant distributions to proprietors were, in the case of the subsidiary, less than the profits for that period chargeable to the

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profits tax and non-distribution relief was given to the subsidiary accordingly on the amount of the difference,

then, in considering what distribution charge, if any, falls to be made by reason of the excess referred to in paragraph (a) of this subsection on the principal company, the difference on which non-distribution relief was given to the subsidiary as aforesaid shall, except so far as it has already operated to increase a distribution charge on the subsidiary or on any other body corporate which has been a principal company of that subsidiary, be taken into account as if it had been a difference arising in relation to the principal company on which non-distribution relief had been given to the principal company.

(3) Where—

- (a) such a notice as aforesaid is in force ; and
- (b) the subsidiary to which the notice relates pays to the principal company an amount by way of reimbursement of profits tax which by virtue of the notice having been given is payable by that company for any chargeable accounting period ending after the thirty-first day of December, nineteen hundred and forty-six; and
- (c) the principal company and the subsidiary jointly so elect by notice in writing given to the Commissioners of Inland Revenue within six months from the end of that chargeable accounting period or such longer time as those Commissioners may in any case allow,

the amount so paid, and any amount so paid in relation to a subsequent chargeable accounting period, by the subsidiary to the principal company shall for all the purposes of the Income Tax Acts be treated—

- (i) as regards the subsidiary, as an amount of profits tax payable in respect of its profits arising in the chargeable accounting period of the subsidiary corresponding to the chargeable accounting period to which the payment relates; and
- (ii) as regards the principal company, as reducing the amount of the profits tax payable by the principal company for the chargeable accounting period to which the payment relates.

(4) If at any time after the end of the year nineteen hundred and forty-six a body corporate is a subsidiary of another body corporate, there shall be made such alterations, if any, of the periods which would otherwise be chargeable accounting periods of either body corporate as the Commissioners may direct.

(5) The principal company may, at any time within six months from the passing of this Act, or such longer time as the Commissioners may allow, by notice in writing to the Commissioners revoke any such notice as aforesaid which was given before the passing of this Act, and where a notice is so revoked—

- (a) the notice shall be deemed to have ceased to have effect as from the first day of January, nineteen hundred and forty-seven, without, however, reviving any previous notice which had ceased to be in force by reason of the giving thereof ; and
- (b) where any accounting period of either body corporate falls partly before and partly after the end of the year nineteen hundred and forty-six, the parts thereof falling before and after the end of that year shall be separate chargeable accounting periods.

(6) This section shall be construed as one with the said section twenty-two.

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39 Persons resident outside United Kingdom.

- (1) Where the person carrying on a trade or business is ordinarily resident outside the United Kingdom throughout a chargeable accounting period, the profits tax payable by that person shall be ascertained as if no net relevant distributions to proprietors had been made in the case of that person for that period.
- (2) Where a trade or business is carried on by a body corporate and, throughout a chargeable accounting period, both the following conditions are fulfilled, that is to say—
 - (a) that that body corporate is ordinarily resident in the United Kingdom ; and
 - (b) that another body corporate which is not ordinarily resident in the United Kingdom controls, directly or indirectly, not less than one half of the voting power in the first-mentioned body corporate,distributions to that other body corporate shall be left out of account in determining, in relation to the first-mentioned body corporate, the net relevant distributions to proprietors for that period.
- (3) Where the franked investment income of a person includes income received from a body corporate ordinarily resident outside the United Kingdom to which subsection (1) or subsection (2) of this section applies, the preceding provisions of this Part of this Act relating to the determination of the net relevant distributions for any period by reference to the gross relevant distributions therefor shall have effect subject to the following modification, that is to say, that any reference therein to the profits for the period (not being a reference to profits computed without abatement and including franked investment income) shall be construed as a reference to the first mentioned profits increased by the said income received from the said body corporate.

40 Nationalised undertakings.

- (1) Where the person carrying on a trade or business is a body corporate with a share capital and, throughout a chargeable accounting period, no person other than the Crown has any beneficial interest in any of the share capital thereof, the profits tax payable by that person shall be computed as if no net relevant distributions to proprietors had been made for that period.
- (2) Subsection (5) of section nineteen of the Finance Act, 1937, (which exempts from the charge to the profits tax certain trades or businesses carried on by statutory undertakings) shall not apply to—
 - (a) the North of Scotland Hydro-Electric Board constituted under the Hydro-Electric Development (Scotland) Act, 1943; or
 - (b) any Authority or Board constituted by any Act of the present Session (whether passed before or after the passing of this Act) which provides, amongst other matters, for the establishment of a British Electricity Authority and Area Electricity Boards ; or
 - (c) any Transport Commission established by, or any body constituted by any scheme made under, any Act of the present Session (whether passed before or after the passing of this Act) which provides, amongst other matters, for the establishment of a British Transport Commission concerned with transport and certain other related matters ; or
 - (d) any Authority, Board, Commission or body constituted by or under any Act passed after the passing of this Act which embodies any scheme for the

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carrying on of any industry, or part of an industry, or any undertaking, under national ownership or control; or

- (e) any body corporate with a share capital if no person other than the Crown has any beneficial interest in any of the share capital thereof,

and nothing in, or in any scheme having effect under, any such Act as is mentioned in paragraph (b), paragraph (c) or paragraph (d) of this subsection which has the effect of applying to any such Authority, Board, Commission or other body as is mentioned in those paragraphs any provisions relating to an undertaking the whole or any part of which is transferred to that Authority, Board, Commission or other body, shall be construed as applying the provisions of the said subsection (5) of the said section nineteen to that Authority, Board, Commission or body, either generally or in relation to any part of the undertakings carried on by them.

(3) The following payments, that is to say—

- (a) payments of interest by any such Authority, Board, Commission or other body as is mentioned in paragraph (b), paragraph (c) or paragraph (d) of subsection (2) of this section, or by any of the three corporations as defined by section one of the Civil Aviation Act, 1946, being payments of interest on stock issued as, or to raise the money for paying, compensation to be made for or in connection with the acquisition of any property or of the whole or any part of any undertaking, or on stock which directly or indirectly replaces any such stock as aforesaid, or being payments of interest payable to recipients of such compensation, or to persons who held securities carrying the right to such compensation, in respect of periods beginning with the acquisition ;
- (b) payments of interest by the said North of Scotland Hydro-Electric Board on any stock issued by that Board to any such Authority as is mentioned in the said paragraph (b), and repayments by that Board to that Authority of any such payments of interest by that Authority as are mentioned in paragraph (a) of this subsection ;
- (c) so much of any payments by the National Coal Board to the Crown under paragraph (a) of subsection (1) of section twenty-eight of the Coal Industry Nationalisation Act, 1946 as would, apart from this subsection, be deducted in computing the profits of that Board for the purposes of the profits tax ; and
- (d) payments by any such Board as is mentioned in paragraph (b) of the said subsection (2) to any such Authority as is mentioned in that paragraph, being payments by way of contribution towards the satisfaction of the obligations of that Authority in respect of any such interest as is mentioned in paragraph (a) of this subsection,

shall not be allowed to be deducted in computing the profits for the purposes of the profits tax of the Boards, Authorities, Commissions, corporations or other bodies in question; and the payments mentioned in paragraphs (b) and (d) of this subsection shall not be taken into account in computing the profits for the purposes of the profits tax of the Authority which receives the said payments:

Provided that where immediately before the acquisition of the whole or any part of any undertaking or any of the property thereof by any such Board, Authority, Commission, corporation or other body, the capital of that undertaking consisted wholly or partly of debentures, debenture stock or other loan capital, this subsection shall not apply to so much of any of the payments therein mentioned relating to the acquisition as in the opinion of the Commissioners may be appropriate having regard to the extent to which the capital consisted of such capital.

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41 Industrial and provident societies.

- (1) Where the person carrying on a trade or business is a registered society, the profits tax payable by the society shall be computed as if no net relevant distributions to proprietors had been made in the case of that trade or business for any chargeable accounting period.
- (2) For the purposes of this section, the expression " registered society " means a society registered under the Industrial and Provident Societies Acts, 1893 to 1928, or under the enactments in force in Northern Ireland known as the Industrial and Provident Societies Acts (Northern Ireland), 1893 to 1929.

42 Building societies.

- (1) The amount of the profits tax chargeable on the profits arising in any chargeable accounting period from the business of a building society, including any distribution charge, shall not exceed three per cent. of the amount of those profits, computed without allowing any deduction for interest paid on money borrowed by the society from members or depositors.
- (2) Where the amount of the profits tax payable by a building society for any chargeable accounting period is reduced by the operation of subsection (1) of this section, any distribution charges for subsequent chargeable accounting periods shall be computed as if no reduction had taken place and the full amount of tax had been paid.
- (3) This section shall have effect in substitution for subsection (1) of section twenty-three of the Finance Act, 1937, and, in this section, the expression " building society " has the meaning assigned to it by subsection (2) of that section.

43 Persons carrying on several trades or businesses and changes in the persons carrying on trades or businesses.

- (1) All trades or businesses to which section nineteen of the Finance Act, 1937, applies carried on by the same person shall be treated as one trade or business for the purposes of the enactments relating to the profits tax.
- (2) Where trades or businesses which were, in previous chargeable accounting periods, treated as separate trades or businesses are, by virtue of subsection (1) of this section, treated as one trade or business, the like sums may be carried forward under paragraph 2 and sub-paragraph (2) of paragraph 3 of the Fourth Schedule to the said Act from the said previous periods for the purposes of the profits tax in respect of the one trade or business as might have been carried forward from those periods for the purposes of the profits tax in respect of the separate trades or businesses if they had still fallen to be treated as separate trades or businesses.
- (3) Nothing in this section shall apply to any trade or business which had ceased to be carried on before the end of the year nineteen hundred and forty-six.
- (4) Where trades or businesses to which the said section nineteen applies are carried on by the same person during the whole or any part of the year nineteen hundred and forty-six and also during the whole or any part of the following year, and the periods which, apart from this section, would be the accounting periods of those trades or businesses for the purposes of the profits tax do not coincide, and any of those periods fall partly before and partly after the end of the year nineteen hundred and forty-six—

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- (a) the parts of the last mentioned periods which fall before the end of the said year shall be treated for the purposes of the profits tax as separate accounting periods ; and
 - (b) accounting periods (the first of which shall begin immediately after the end of the said year) shall be determined for the purposes of the profits tax in relation to the combined trade or business as if it had been commenced to be carried on immediately after the end of the said year; and
 - (c) subsection (1) of this section shall not apply with respect to the accounting periods mentioned in paragraph (a) of this subsection but shall apply with respect to the accounting periods mentioned in paragraph (b) thereof.
- (5) When any change takes place in the persons carrying on a trade or business, the trade or business shall be deemed for the purposes of the profits tax to be discontinued at the time of the change and a new trade or business to have then been set up and commenced.

44 Liquidations, receiverships, partnerships, etc..

- (1) Where the trade or business of a body corporate, or of an unincorporated society or other body, is being carried on by a liquidator, receiver, manager, trustee or judicial factor, or by any person acting in any capacity similar to the capacities as aforesaid, the trade or business shall, for all the purposes of the enactments relating to the profits tax, be treated as if it were being carried on by the body corporate, society or other body, except that the tax shall be assessed on the liquidator, receiver, manager, trustee, judicial factor or other person and any returns or particulars required to be furnished with respect to the trade or business shall be furnished by the liquidator, receiver, manager, trustee, judicial factor or other person.
- (2) Where a trade or business is carried on by two or more persons in partnership and one or more of them are bodies corporate, each of those bodies corporate shall be treated as if it were carrying on the trade or business itself and not in partnership with any other person, but as if the profits and losses thereof were confined to its share in those profits or losses :

Provided that where such a body corporate as aforesaid is also carrying on, or is by virtue of this subsection to be treated as carrying on, another trade or business, the references in this subsection to profits shall be construed as a reference to the profits computed without abatement, and effect shall be given to the provisions of the last preceding section before giving effect to the provisions for abatement.

Miscellaneous provisions as to the profits tax.

45 Amendment of limit on amount allowable as deduction in respect of directors' remuneration.

In paragraph 11 of the Fourth Schedule to the Finance Act, 1937 (which limits the amount of the deduction to be allowed in respect of the remuneration of certain directors in computing for the purposes of profits tax the profits arising from a trade or business carried on by a company in which the directors have a controlling interest), for the words " fifteen hundred pounds ", wherever those words occur, there shall be substituted the words " two thousand five hundred pounds. "

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46 Co-ordination of treatment for profits tax purposes with treatment for income tax and excess profits tax purposes, etc..

- (1) The provisions of Parts I and II of the Eighth Schedule to this Act shall have effect with a view to securing that the treatment of persons for the purposes of the profits tax accords, as respects the matters, and to the extent, specified in those Parts of that Schedule, with the treatment which they receive as respects those matters for the purposes of income tax and excess profits tax.
- (2) The provisions of Part III of the said Schedule (being miscellaneous amendments of the law relating to the computation of profits for the purposes of the profits tax and other related matters) shall have effect for the purposes of the profits tax.

47 Commencement of Part IV and transitional provisions.

- (1) Subject to the provisions of this section, the provisions of this Part of this Act relating to the profits tax shall have effect with respect to all chargeable accounting periods any part of which falls after the end of the year nineteen hundred and forty-six :

Provided that this subsection shall not apply to any of those provisions in so far as other express provision is made by them respectively as to the chargeable accounting periods with respect to which they are to have effect.

- (2) In the case of a chargeable accounting period falling partly before and partly after the end of the year nineteen hundred and forty-six, the profits tax shall be computed first on the basis that the provisions to which subsection (1) of this section applies do not have effect with respect to the period and secondly on the basis that the said provisions do have effect with respect thereto and the sums so ascertained shall be apportioned between the part of the period which falls before, and the part of the period which falls after, the end of the said year ; and, subject to the provisions of subsection (3) of this section—
 - (a) the profits tax payable for the whole period shall be the sum of so much of the amount ascertained on the first basis as is apportioned to the first part of the whole period and so much of the amount ascertained on the second basis as is apportioned to the second part thereof, and
 - (b) any apportionment required for any of the purposes of section nineteen of the Finance (No. 2) Act, 1939, or of the Sixth Schedule to the Finance Act, 1940 (the provisions of which have effect as respects the relation of excess profits tax to the profits tax and the assessment and collection of those taxes) shall, instead of being made in accordance with subsection (6) of the said section nineteen or paragraph 8 of the said Sixth Schedule, be made in the proportion arrived at by comparing that part of the amount ascertained on the said first basis which is apportioned as aforesaid to the first part of the whole period with that part of the amount ascertained on the said second basis which is apportioned as aforesaid to the second part thereof.
- (3) The provisions of paragraph 3 of Part II of the Eighth Schedule to this Act shall, so far as they provide for a reduction of tax, be left out of account in computing the tax payable on both the first and second bases mentioned in subsection (2) of this section, and the reduction of tax provided for by that paragraph shall be made, and made only, by reducing that part of the tax computed on the first basis which is apportioned to the first part of the period ; and the provisions of the said subsection (2) shall have effect accordingly.

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- (4) Where non-distribution relief is given for a chargeable accounting period falling partly before and partly after the end of the year nineteen hundred and forty-six, the difference on which the relief is given shall, for the purpose of arriving at the distribution charges, if any, falling to be made for subsequent chargeable accounting periods, be treated as reduced by so much thereof as is apportionable to the part of the chargeable accounting period which falls before the end of the said year.
- (5) Any apportionment which is required for the purposes of subsection (2) of this section of the profits tax of a period falling partly before and partly after the end of the said year, on either of the bases referred to in that subsection, and any apportionment which is required for the purposes of subsection (4) of this section, shall be made by reference to the number of months or fractions of months in each of the parts of the whole period :

Provided that where the profits of the whole period have been apportioned in any other manner for the purposes of excess profits tax between the first part of the period and the remainder of the period, the said apportionments under subsections (2) and (4) of this section shall also be made in that manner.

48 Interpretation of Part IV.

- (1) References in this Part of this Act to the computation of profits include references to the computation of any such losses as, under any enactment relating to the profits tax, fall to-be computed in the same manner as profits are to be computed for the purposes of the profits tax.
- (2) References in this Part of this Act to shares include references to stock, and the expression " share capital " shall be construed accordingly.
- (3) References in this Part of this Act to the personal representatives of a deceased person include references to trustees of the estate, or part of the estate, of that person.