



# Finance Act 1951

## 1951 CHAPTER 43

### PART II

#### INCOME TAX

#### 16 Charge of income tax for 1951-52

- (1) Income tax for the year 1951-52 shall be charged at the standard rate of nine shillings and sixpence in the pound and, in the case of an individual whose total income exceeds two thousand pounds, shall be charged in respect of the excess at rates in the pound which respectively exceed the standard rate by the amounts specified in the second column of the following Table:—

TABLE

	s.	d.
For every pound of—		
the first five hundred pounds of the excess	2	0
the next five hundred pounds of the excess	2	6
the next one thousand pounds of the excess	3	6
the next one thousand pounds of the excess	4	6
the next one thousand pounds of the excess	5	6
the next two thousand pounds of the excess	6	6

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	s.	d.
the next two thousand pounds of the excess	7	6
the next two thousand pounds of the excess	8	6
the next three thousand pounds of the excess	9	6
the remainder of the excess	10	0

- (2) All such enactments as had effect with respect to the income tax charged for the year 1950-51 shall have effect with respect to the income tax charged for the year 1951-52.
- (3) Notwithstanding anything in the preceding provisions of this section, the standard rate of tax for the year 1951-52 shall, for the purpose of computing the amounts of tax which, under section two of the Income Tax (Employments) Act, 1943, fall to be deducted or repaid before the twenty-fifth day of May, nineteen hundred and fifty-one, be deemed to have been the same as that for the year 1950-51, but nothing in this subsection shall prevent or be deemed to have prevented the resulting under-deductions and over-repayments of tax from being adjusted subsequently by means of increased deductions or diminished repayments under the said section two, or, if need be, by an assessment.

## 17 Higher rates of income tax for 1950-51

Income tax for the year 1950-51 shall be charged, in the case of an individual whose total income exceeded two thousand pounds, at the same higher rates in respect of the excess over two thousand pounds as were charged for the year 1949-50.

## 18 Alterations in personal reliefs, etc.

- (1) In subsection (2) of section forty of the Finance Act, 1927 (which, as amended by section seventeen of the Finance (No. 2) Act, 1945, section twenty-eight of the Finance Act, 1948, and section twenty-four of the Finance Act, 1950, provides for the relief from income tax commonly known as the reduced rate relief), the words "thirteen-nineteenths" shall throughout be substituted for the words "thirteen-eighteenths" and the words "eight-nineteenths" shall throughout be substituted for the words "four-ninths".
- (2) In section eighteen of the Finance Act, 1920 (which, as amended by subsequent enactments, provides, amongst other things, for a deduction, in the case of married persons, of tax on one hundred and eighty pounds), the words "one hundred and ninety pounds" shall be substituted for the words "one hundred and eighty pounds".
- (3) In subsections (1) and (3) of section twenty-one of the Finance Act, 1920 (which, as amended by subsequent enactments, provides for a deduction of tax on sixty pounds in respect of each child with an income of sixty pounds or less), the words "seventy pounds" shall be substituted for the words "sixty pounds".
- (4) In subsection (1) of section sixteen of the Finance Act, 1943 (which, as amended by subsection (4) of section fifteen of the Finance Act, 1947, provides, amongst other things that the deduction of tax allowable in certain cases in respect of a relative of the

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claimant or of his or her wife or husband who is maintained by the claimant is limited to cases where the total income of the person maintained does not exceed one hundred and twenty pounds a year and that the allowance is reduced if the total income of that person exceeds seventy pounds a year), the words " one hundred and thirty pounds " shall be substituted for the words " one hundred and twenty pounds " and the words " eighty pounds " shall be substituted for the words " seventy pounds ".

- (5) In subsection (2) of section nineteen of the Finance Act, 1935 (which, as amended by subsequent enactments, limits the tax on incomes exceeding one hundred and thirty-five pounds but less than one hundred and sixty pounds to one quarter of the excess), the words " three-tenths " shall be substituted for the words " one-quarter ".
- (6) The changes effected by this section shall not be deemed to have affected the amounts of tax deductible or repayable under section two of the Income Tax (Employments) Act, 1943, before the twenty-fifth day of May, nineteen hundred and fifty-one, but nothing in this subsection shall prevent the resulting under-deductions, over-deductions, under-repayments and over-repayments of tax from being adjusted subsequently by means of increased or diminished deductions or repayments under the said section two, or, if need be, by an assessment.

## **19 Extension of relief for wives drawing retirement pensions**

The proviso to subsection (2) of section twenty-seven of the Finance Act, 1946 (which, amongst other things, prevents certain pensions payable under the National Insurance Act from being treated as earned income for the purposes of the increased personal allowance by reference to the wife's earned income provided for by subsection (2) of section eighteen of the Finance Act, 1920) shall not apply to any payment by way of retirement pension under the National Insurance Act (as defined in the said section twenty-seven), being a pension payable to the wife by virtue of her own insurance.

## **20 Suspension of initial allowances**

- (1) No initial allowance shall be given under Part I, Part II or Part III of the Income Tax Act, 1945, in respect of any expenditure incurred on or after the sixth day of April, nineteen hundred and fifty-two, and before such date as Parliament may hereafter determine:

Provided that this subsection shall not apply to expenditure on the provision of a ship for the purposes of a trade if it is shown to the satisfaction of the Commissioners of Inland Revenue—

- (a) that on the tenth day of April, nineteen hundred and fifty-one, the ship was actually under construction for the persons who were carrying on the trade on the said tenth day of April or who were on that date about to carry it on ; or
  - (b) that a contract for the construction of the ship, or of the engines for the ship, for those persons had been entered into by them not later than the said tenth day of April.
- (2) Part VIII of the Income Tax Act, 1945 (which contains supplementary provisions for the purposes of that Act), shall apply in relation to subsection (1) of this section as if that subsection were a provision of that Act:

Provided that a trade shall not be deemed for the purposes of that subsection to be discontinued by reason only of the happening of any event which, by virtue of any of

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the provisions of Rule 11 of the Rules applicable to Cases I and II of Schedule D, is to be treated as equivalent to the discontinuance of the trade.

## **21 Acquisition of new sources of income under Case III, IV or V of Schedule D**

- (1) If at any time any person acquires—
- (a) a new source of any profits or income in respect of which he is chargeable either under Rule 1 of the Rules applicable to Case III of Schedule D or under Case IV of Schedule D or under Case V of Schedule D; or
  - (b) an addition to any source of any such profits or income,
- then, for the year of assessment in which income first arises from the source or addition and the two following years of assessment—
- (i) income tax in respect of the profits or income from the source or addition shall be computed separately ; and
  - (ii) in the case of profits or income chargeable under Rule 1 of the Rules applicable to Case III, the provisions of paragraph (1) of Rule 2 of those Rules shall apply, and, in the case of profits or income chargeable under Case IV or Case V, the provisions of proviso (b) of subsection (1) of section twenty-nine of the Finance Act, 1926, shall apply.
- (2) Subsection (1) of this section shall have effect in lieu of paragraph (ii) of the proviso to section thirty of the Finance Act, 1926, and the references to that paragraph contained in paragraph (iv) of that proviso shall be construed as references to the said subsection (1).
- (3) The preceding provisions of this section shall apply in relation to sources or additions to sources acquired on or after the sixth day of April, nineteen hundred and fifty-one and to sources or additions to sources acquired before that date where the income or profits first arose therefrom on or after that date, but shall not apply in any other case.
- (4) Subsection (3) of section thirty-two of the Finance Act 1933 (which provides that when tax becomes chargeable under Case III of Schedule D on share interest or loan interest paid by a registered society, paragraph (ii) of the proviso to section thirty of the Finance Act, 1926, shall apply as if the source of that interest were a new source of income acquired by that person at that time) shall have effect as if the reference therein to the said paragraph (ii) included references to all the preceding provisions of this section.
- (5) In this section, references to profits or income chargeable under Rule 1 of the Rules applicable to Case III of Schedule D shall be construed as including references to profits or income chargeable under that Case as if they were mentioned in the said Rule 1, and references to income which arises or arose shall, in cases where income tax is to be computed by reference to the amount of income received in the United Kingdom, be construed as references to income which is or was so received.

## **22 Foreign dividends, etc.**

- (1) In paragraph (1) of Rule 7 of the Miscellaneous Rules applicable to Schedule D (which provides for the taxation by deduction of, amongst other things, interest, dividends, or other annual payments payable out of or in respect of the stocks, funds, shares or securities of any foreign or colonial company, society, adventure or concern) for the words "any foreign or colonial company, society, adventure or concern" there shall be substituted the words "any body of persons not resident in the United Kingdom".

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- (2) Neither sub-paragraph (a) nor sub-paragraph (b) of the said paragraph (1) shall extend to any payment to which Rule 19 or Rule 21 of the General Rules applies.
- (3) Any reference in any provision of the Income Tax Acts to the said Rule 7 shall be construed as a reference to the said Rule 7 as amended by the preceding provisions of this section.
- (4) This section shall have effect as from the tenth day of April, nineteen hundred and fifty-one, and shall also have effect and be deemed always to have had effect in relation to any payment made before that date from which a deduction of tax has been made which would, if this section had then been in force, have been a legal deduction.

### **23 Building societies**

- (1) The Commissioners of Inland Revenue and any building society may, as respects the year 1952-53 or any subsequent year of assessment, enter into arrangements whereby—
  - (a) the society is assessed to income tax under Schedule D on such sums (including sums which, apart from the arrangements, would be receivable by the society with tax deducted therefrom) as may be determined under the arrangements, and is so assessed in part at the standard rate and in part at a reduced rate which takes into account the operation of the subsequent provisions of this section; and
  - (b) property in which the society has an interest is exempt from tax under Schedule A to such extent as may be specified in the arrangements ; and
  - (c) provision is made for any incidental or consequential matters,and any such arrangements shall have effect notwithstanding anything in the Income Tax Acts:

Provided that the said Commissioners, in exercising their powers of entering into arrangements under this section, shall at all times aim at securing that the total tax becoming payable to, and not becoming repayable by, the Crown is, when regard is had to the operation of the subsequent provisions of this section, as nearly as may be the same in the aggregate as it would have been if those powers had never been exercised.

- (2) Where any such arrangements as aforesaid are in force in the case of any society as respects any year of assessment—
  - (a) tax shall not be deducted from any dividends or interest payable in that year in respect of shares in or deposits with or loans to that society ; and
  - (b) no assessment to tax or repayment of tax shall be made in respect of any such dividends or interest on or to the person receiving or entitled to the dividends or interest; and
  - (c) the amounts actually paid or credited in respect of any such dividends or interest (and no more) shall be treated as income for that year of the person entitled thereto; and
  - (d) the said amounts (and no more) shall, in applying Rules 19 and 21 of the General Rules to other payments, be treated as profits or gains which have been brought into charge to tax:

Provided that—

- (i) any such dividends or interest shall be taken into account for the purposes of assessment to surtax; and

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- (ii) the amount actually paid or credited in respect of any such dividends or interest shall be deemed for surtax purposes to be a net amount corresponding to a gross amount from which tax at the standard rate for that year has been duly deducted, and the amount on which surtax is to be charged in the case of any person shall be calculated accordingly; and
  - (iii) the provisions of this subsection shall not apply in relation to interest on any bank loan; and
  - (iv) the provisions of this subsection shall not apply in relation to any interest which is payable in respect of a loan to the society under a contract made before the beginning of the first year of assessment as respects which the society enters into arrangements under subsection (1) of this section, if and to the extent that, both at the time of the making of the contract and at the time when the interest becomes payable, it is contemplated by the parties that tax shall be deducted on payment of the interest.
- (3) Where any such arrangements as aforesaid are in force in the case of any society as respects any year of assessment—
- (a) tax shall not be deducted upon payment to the society of any interest on advances, being interest payable in that year; and
  - (b) any amount which, by virtue of this subsection, is paid without deduction of tax by any person to the society in respect of interest on advances (being interest payable by him to the society in that year) shall, except so much thereof, if any, as is repaid to him by the society, be deducted from or set off against his income for that year, and tax shall be discharged or repaid accordingly,
- and subsections (2) and (3) of section fifty-six of the Income Tax Act, 1945 (which relate to the procedure in relation to claims for allowances given under that Act by way of discharge or repayment of tax), shall apply in relation to the discharge or repayment of tax under this subsection as they apply in relation to the allowances mentioned in that section.
- (4) Any arrangements made under this section as respects any year of assessment shall, if made after the beginning of that year, be deemed to have come into force at the beginning thereof, and any necessary adjustments shall be made in relation to any sums paid or credited before the date of the making of the arrangements.
- (5) If—
- (a) as respects the year 1951-52 or any previous year of assessment, any arrangements are made (whether before or after the passing of this Act) between the Commissioners of Inland Revenue and a building society as respects the tax which is to be charged in the case of that society; and
  - (b) those arrangements purport to provide that no repayment of tax shall be made in respect of income derived from investments with the society; and
  - (c) as a result of, or in anticipation of, those arrangements, any dividends or interest payable in the year of assessment in question by the society in respect of shares in or deposits with or loans to the society are paid without deduction of tax,
- paragraphs (b), (c) and (d) of, and paragraph (i) of the proviso to, subsection (2) of this section shall apply and be deemed always to have applied in relation to those dividends or that interest as they apply in relation to the dividends or interest mentioned in paragraph (a) of the said subsection (2).

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(6) In this section—

" building society " means a society incorporated under the Building Societies Act, 1874, or such an unincorporated society as is mentioned in section seven of that Act; and

" dividend " includes any distribution, whether described as a dividend or otherwise, which, apart from this section, would fall to be treated as a dividend for the purposes of Rule 20 of the General Rules.

(7) This section shall apply in relation to a company within the meaning of the Companies Act, 1948, or the corresponding enactments in force in Northern Ireland, which carries on a business which, in the opinion of the Commissioners of Inland Revenue, is similar to that carried on by a building society as it applies in relation to a building society, except that in subsections (2) and (5) the references to dividends and shares shall be deemed to be omitted.

## **24 Armed forces, etc.**

Any sum—

- (a) which, in pursuance of the scheme as to service emoluments contained in the Command Paper laid before Parliament in August, nineteen hundred and fifty, becomes payable out of moneys provided by Parliament by way of bounty to a person who, having served in the armed forces of the Crown, voluntarily undertakes to serve for a further period; or
- (b) which becomes payable out of moneys provided by Parliament by way of bounty to any person who is called up for a period of service under the Reserve and Auxiliary Forces (Training) Act, 1951,

shall not be regarded as income for any of the purposes of the Income Tax Acts.

## **25 Exemption of income of the Colonial Superannuation Scheme Fund**

- (1) The Managers of the Colonial Superannuation Scheme Fund shall not be assessable to income tax in respect of any income derived from investments or deposits of that Fund and any income tax deducted from any such income shall be repaid to them by the Commissioners of Inland Revenue.
- (2) In this section, " the Colonial Superannuation Scheme Fund " means the fund of that name formed under the Colonial Superannuation Scheme set up by the Secretary of State with effect as from the first day of January, nineteen hundred and fifty-one, and this section shall be deemed to have had effect as from the said first day of January.

## **26 Exemption for Issue Department of State Bank of Pakistan**

Any profits or income accruing or arising to the Issue Department of the State Bank of Pakistan constituted under certain orders made under section nine of the Indian Independence Act, 1947, shall be, and shall be deemed always to have been, exempt from income tax.

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**27 Power to obtain information as to interest paid or credited without deduction of tax**

- (1) Every person carrying on a trade or business who, in the ordinary course of the operations thereof, receives or retains money in such circumstances that interest becomes payable thereon which is paid or credited without deduction of income tax, and, in particular, every person carrying on the trade or business of banking, shall, if required to do so by notice from a surveyor, make and deliver to the surveyor, within the time specified in the notice, a return of all interest paid or credited by him as aforesaid during a year specified in the notice in the course of his trade or business or any such part of his trade or business as may be so specified, giving the names and addresses of the persons to whom the interest was paid or credited and stating, in each case, the amount of the interest, and the provisions of the Income Tax Acts with respect to the failure to deliver lists, declarations and statements in accordance with a particular or general notice shall apply to any such return:

Provided that—

- (a) no interest paid or credited to any person shall be required to be included in any such return if the total amount of the interest paid or credited to that person which would otherwise have fallen to be included in the return does not exceed fifteen pounds; and
  - (b) the year specified in a notice under this subsection shall not be a year ending more than three years before the date of the service of the notice.
- (2) Without prejudice to the generality of so much of subsection (1) of this section as enables different notices to be served thereunder in relation to different parts of a trade or business, separate notices may be served under that subsection as respects the transactions carried on at any branch or branches respectively specified in the notices, and any such separate notice shall, if served on the manager or other person in charge of the branch or branches in question, be deemed to have been duly served on the person carrying on the trade or business ; and where such a separate notice is so served as respects the transactions carried on at any branch or branches, any notice subsequently served under the said subsection (1) on the person carrying on the trade or business shall not be deemed to extend to any transaction to which the said separate notice extends.
- (3) This section shall, with any necessary adaptations, apply in relation to the Post Office Savings Bank as if it were a trade or business carried on by the Postmaster General.
- This subsection shall have effect notwithstanding anything in section four of the Post Office Savings Bank Act, 1861, but save as aforesaid that section shall remain in full force and effect.
- (4) This section shall apply to interest paid or credited on or at any time after the sixth day of April, nineteen hundred and fifty.
- (5) This section shall apply only to money received or retained in the United Kingdom, and if a person to whom any interest is paid or credited in respect of any money received or retained in the United Kingdom by notice in writing served on the person paying or crediting the interest—
- (a) declares that the person who was beneficially entitled to that interest when it was paid or credited was not then ordinarily resident in the United Kingdom; and
  - (b) requests that the interest shall not be included in any return under this section,



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the person paying or crediting the interest shall not be required to include that interest in any such return; and section thirty of the Income Tax Act, 1918 (which relates to fraudulent claims for relief), shall, with the necessary adaptations, apply in relation to notices under this subsection as it applies in relation to the claims mentioned in the said section thirty.