



Finance Act 1940

1940 CHAPTER 29 3 and 4 Geo 6

PART III.

EXCESS PROFITS TAX AND NATIONAL DEFENCE CONTRIBUTION.

34 Miscellaneous amendments as to computation of capital.

(1) If—

- (a) the Commissioners are satisfied, as respects any assets of any trade or business the standard profits of which are computed by reference to the profits of a standard period, that during that period or any part thereof those assets were inherently unproductive; and
- (b) an application that this subsection shall have effect is made by the person carrying on the trade or business,

then, in computing the average amount of the capital employed in the trade or business in the standard period and in all chargeable accounting periods, those assets, and any other assets of the trade or business, shall be treated as not having been assets thereof during any part of the period during which, in the opinion of the Commissioners, they were inherently unproductive :

Provided that in the case of a trade or business the standard profits of which depend, directly or indirectly, upon a direction of the Commissioners or the Board of Referees under the second section of this Part of this Act or under that section as applied by the Fifth Schedule to this Act in relation to groups of companies, the provisions of this subsection shall have effect to such extent only as the Commissioners think proper.

(2) Where subsection (1) of this section has effect on the application of the person carrying on the trade or business made before the making of the application, and any assessment affected by that computation, shall be revised accordingly.

(3) After sub-paragraph (2) (b) of paragraph 1 of Part II of the Seventh Schedule to the Finance (No. 2) Act, 1939 (which specifies the deductions to be made in computing the capital value of the assets) the following words shall be inserted—

- “(c) any other such deductions in respect of reduced values of assets as are allowable in computing profits for the purposes of income tax.”

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 1940, Section 34. (See end of Document for details)*

- (4) At the end of sub-paragraph (1) of paragraph 2 of Part II of the Seventh Schedule (which directs that certain deductions shall be made in respect of borrowed money and debts) the following words shall be inserted—

“The debts to be deducted under this sub-paragraph shall include—

- (a) any such sums in respect of accruing liabilities as are allowable as a deduction in computing profits for the purposes of excess profits tax, or would have been so allowable if the period for which the amount of capital is being computed had been a chargeable accounting period; and
- (b) in the case of a business of an assurance company, also any sums representing profits of its life assurance business belonging or allocated to, or reserved for, or expended on behalf of, policy holders or annuitants (being sums which would be excluded, under subsection (1) of section sixteen of the Finance Act, 1923, in computing the profits of the company for the purposes of the Income Tax Acts),

and all the said sums shall be deducted notwithstanding that they have not become payable.”

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 1940, Section 34.