



Finance Act 1942

1942 CHAPTER 21

PART III

INCOME TAX.

21 Income Tax for 1942-43.

- (1) Income tax for the year 1942-43 shall be charged at the standard rate of ten shillings in the pound, and, in the case of an individual whose total income exceeds one thousand five hundred pounds, at such higher rates in respect of the excess over one thousand five hundred pounds as Parliament may hereafter determine.
- (2) All such enactments as had effect with respect to the income tax charged for the year 1941-42, other than such enactments as by their terms relate only to tax for that year, shall have effect with respect to the income tax charged for the year 1942-43.

22 Higher rates of income tax for 1941-42.

Income tax for the year 1941-42 shall be charged at rates exceeding the standard rate in the case of individuals whose total incomes exceed two thousand pounds and in respect of the excess of their total incomes over that sum ; and the said rates shall be rates in the pound which respectively exceed the standard rate for the year 1941-42 by the amounts specified in the second column of the Table in subsection (1) of section seven of the Finance (No. 2) Act, 1940.

23 Increase of allowance in respect of wife's earned income.

Section eighteen of the Finance Act, 1920 (which, as amended by subsequent enactments, provides, in the case of married persons, for a deduction of tax on one hundred and forty pounds, increased, in a case where the total income of the claimant includes earned income of his wife, by an amount equal to nine-tenths of that earned income or by forty-five pounds, whichever is the less,) shall have effect as if the words " eighty pounds " were substituted for the words " forty-five pounds. "

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24 Period of assessment in case of certain weekly wage-earners.

- (1) The power conferred on the Commissioners of Inland Revenue by section one hundred and thirty-one of the Income Tax Act, 1918, to make regulations as to certain weekly wage-earners shall extend to making provision in relation to any classes of weekly wage-earners that, for the purposes of the Income Tax Acts, such two portions of any year of assessment together amounting to a year as may be specified in the regulations in relation to those classes respectively, shall be treated as being each a half year, and, if any such regulations are made, references in the said Acts to half years and to half yearly assessment and charge shall be construed accordingly.
- (2) Section two hundred and thirty-six of the said Act (which relates to the laying of regulations before Parliament) shall apply to regulations made by virtue of this section, as it applies to the regulations mentioned in that section.

25 Extension to 1942-43 of s. 11 of Finance (No. 2) Act, 1939.

Section eleven of the Finance (No. 2) Act, 1939, (which grants relief in respect of diminution of earned income owing to circumstances directly or indirectly connected with the present war) shall apply in relation to tax for the year 1942-43 as it applies in relation to tax for the year 1939-40, with the adaptation that references to the year 1939-40 shall be construed as references to the year 1942-43 and references to the year 1938-39 shall be construed as references to the year 1941-42.

26 Expenses of employees, etc., in travelling to and from their work.

- (1) If it is shown in the case of a person assessed to income tax under Schedule E in respect of any office or employment (not being a weekly wage-earner assessed in accordance with Rule 2 of the Rules applicable to Cases I and II of Schedule D) that his place of work or his residence has changed through circumstances connected with the present war, and that in consequence he is obliged to incur and defray out of the emoluments of the office or employment additional expense in travelling between his residence and his work, the additional expense so incurred and defrayed shall be allowed as a deduction from emoluments in computing the amount of the assessment, so, however, that not more than ten pounds shall be so allowed in the case of any person in any year.
- (2) In this section the expression " emoluments " has the same meaning as in section forty-five of the Finance Act, 1927.

27 Continuance of allowance for repairs.

- (1) Section twenty-eight of the Finance Act, 1923 (which relates to the allowance for repairs and which was continued in force by section sixteen of the Finance Act, 1937, until the fifth day of April, nineteen hundred and forty-two) shall continue in force until the fifth day of April, nineteen hundred and forty-seven.
- (2) This section shall be deemed to have had effect as from the sixth day of April, nineteen hundred and forty-two.

28 Farming.

- (1) In subsection (1) of section eleven of the Finance Act, 1941 (which specifies the cases where farming is exempted from compulsory assessment under Schedule D), for the

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words " three hundred pounds " there shall, as respects tax for the year 1942-43 and subsequent years of assessment, be substituted the words " one hundred pounds. "

- (2) In the definition of the expression " assessable value " in Schedule B of the Income Tax Act, 1918, for the words " means in relation to tax under this Schedule an amount equal to the annual value " there shall be substituted the words " means in relation to tax under this Schedule an amount equal to three times the annual value ",
- (3) Rule 5 of the Rules applicable to Schedule B (which allows farmers who would otherwise be charged under Schedule B to elect to be charged under Schedule D) shall not have effect as respects tax for the year 1942-43 or any subsequent year of assessment, except in so far as it is applied in relation to woodlands by Rule 7 of the said Rules.
- (4) In considering, in relation to farming, whether any, and if so what, relief may be given to any person for the year 1942-43 or any subsequent year of assessment under section thirty-three of the Finance Act, 1926, or section twenty-nine of the Finance Act, 1927 (which relate to the carrying forward of losses) there may, if that person or a partnership of which he is a member is, by virtue of this section, chargeable under Schedule D for the year 1942-43 in respect of his or their farming, be carried forward to the year 1942-43 and subsequent years of assessment from the years of assessment preceding the year 1942-43 the amount (if any) which would have fallen to be carried forward to those years respectively if that person and every partnership of which he was a member had been charged under Schedule D in respect of his or their farming for all those preceding years and had been given in those preceding years all the relief which he or they could have been given under those sections if he or they had been so charged.
- (5) Where on a claim made for the purposes of this subsection within twelve months from the end of the year 1942-43 it is proved that the profits or gains from farming in that year of any individual or partnership of individuals are less than the amount of the profits or gains by reference to which he or they is or are charged by virtue of this section for that year—
 - (a) that individual or partnership of individuals shall be entitled to such relief from income tax, other than surtax, as will reduce the amount of income tax, other than surtax, payable to the amount which would have been payable if he or they had been charged by reference to the actual profits or gains for that year ;
 - (b) the individual, or, in the case of a partnership of individuals, each of the individuals, shall be entitled to such relief from the surtax, if any, payable by him for that year as will reduce the amount of surtax so payable to the amount which would have been payable if the individual or, as the case may be, the partnership had been charged as aforesaid.
- (6) In this section the expression " farming " has the same meaning as in section ten of the Finance Act, 194.1.

29 Exemption from tax of interest on tax reserve certificates and repeal of provisions as to allowance of discount on tax paid in advance.

- (1) Income tax shall not be chargeable for the year 1941-42 or any subsequent year of assessment in respect of the interest on tax reserve certificates issued by the Treasury.

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- (2) Section one hundred and fifty-nine of the Income Tax Act, 1918 (which provides for an allowance of discount on tax paid in advance under Schedule D) shall not have effect as respects tax for the year 1942-43 or any subsequent year of assessment.

30 Amendment as to national savings certificates and Ulster savings certificates.

Section twenty-eight of the Finance Act, 1922 (which grants relief from income tax in respect of national savings certificates and Ulster savings certificates) shall have effect and be deemed always to have had effect as if at the end of subsection (1) thereof there were inserted the words " and whether the sum payable on the maturity of the certificate is one pound or any other sum, " and as if at the end of subsection (2) thereof there were inserted the words " and whether the sum payable on maturity is the same as in the case of national savings certificates or not. "

31 Exemption from income tax of accumulated interest, on certain Ulster, colonial and other savings certificates.

- (1) Subject to the provisions of this section, the accumulated interest payable in respect of such savings certificates as are mentioned in subsection (2) of this section shall be exempt from income tax.
- (2) The said savings certificates are such savings certificates issued by the Government of Northern Ireland or of any colony as are declared by regulations made by the Treasury to be certificates the proceeds of the sale of which have been made available to His Majesty's Government in the United Kingdom.
- (3) The exemption from income tax provided for by this section shall not extend to the interest on any certificate unless the person beneficially entitled to that certificate when it was issued was then resident—
- (a) in the case of a certificate issued by the Government of Northern Ireland, in Northern Ireland ;
 - (b) in the case of a certificate issued in a colony, in that colony or in such neighbouring territory (if any) as may be prescribed in relation to that colony.
- (4) If, at the date of the encashment of any such certificates, the total savings certificate holding of the person beneficially entitled to the certificates encashed, computed in the prescribed manner, exceeds the prescribed limit, the said exemption—
- (a) shall not extend to the interest on the encashed certificates unless the encashment thereof brings the total savings certificate holding of the said person, computed as aforesaid, below the prescribed limit; and
 - (b) shall then extend only to the interest on so much of the encashed certificates as is equal to the amount by which the said total holding, so computed, is brought by the encashment below the prescribed limit.

In this subsection the expression " the total savings, certificate holding " means, in relation to a person, his total holding of such certificates as are mentioned in subsection (2) of this section and savings certificates issued by the Treasury through the Post Office.

- (5) This section shall apply in relation to any protectorate or protected state or any territory in respect of which a mandate from the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom

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as it applies in relation to a colony; and in this section the expression " prescribed " means prescribed by regulations made by the Treasury.

- (6) Nothing in this section shall deprive any person of any exemption from income tax under subsection (2) of section twenty-eight of the Finance Act, 1922 (which exempts from income tax interest on Ulster savings certificates held by a person resident and domiciled in Northern Ireland).

32 Alteration of certifying authority for the purposes of s. 18 (1) of Finance Act, 1941.

Certificates for the purposes of subsection (1) of section eighteen of the Finance Act, 1941, that arrangements for the concentration of industry or business in the hands of fewer persons are approved by the certifying authority and are in their opinion in the national interest, having regard to the exigencies of the present war, may, after the passing of this Act, be given by or on behalf of any other government department as well as by or on behalf of the Board of Trade, and the said section eighteen (which relates to the treatment for income tax purposes of trades affected by arrangements so certified) shall have effect accordingly; but no certificate given after the passing of this Act shall have effect for the purposes of the said subsection (1) unless the Treasury concur in the giving of the certificate.

33 Extension of time for assessments, proceedings, etc., in cases of fraud or wilful default.

- (1) Where any form of fraud or wilful default has been committed by or on behalf of any person in connection with or in relation to income tax for the year 1936-37 or any subsequent year of assessment, assessments, additional assessments and surcharges on that person to income tax for that year may, for the purpose of making good to the Crown any loss of tax attributable to the fraud or wilful default, be amended or made at any time, notwithstanding that, apart from this section, the time limited by the relevant enactments for the amendment or making of the assessment, additional assessment or sur-charge has expired.
- (2) The time limited by the Income Tax Acts for commencing proceedings for the recovery of any fine or penalty from any person in connection with or in relation to any income tax covered by any assessment (being income tax for the year 1936-37 or any subsequent year of assessment) shall, where any form of fraud or wilful default has been committed by him or on his behalf in connection with or in relation to that tax, be extended so as to authorise the commencement of such proceedings at any time within three years from the final determination of the amount of tax covered by the assessment.

For the purposes of this subsection the amount of the tax covered by any assessment shall not be deemed to be finally determined until that assessment can no longer be varied, whether by any Commissioners on appeal or by the order of any court.

- (3) An objection to the amending or making of any assessment, additional assessment or sur-charge to income tax on the ground that the time limited for the amendment or making thereof has expired shall only be made on appeal from the assessment, additional assessment or sur-charge.
- (4) Nothing in this section shall extend the time for the bringing of any proceedings against, or the amending or making of any assessments, additional assessments or sur-

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charges on, the personal representatives of any person by or on whose behalf any form of fraud or wilful default has been committed.

34 Provisions as to evidence in cases of fraud or wilful default.

- (1) Statements made or documents produced by or on behalf of a person shall not be inadmissible in evidence against him in any such proceedings as are mentioned in subsection (2) of this section by reason only that it has been, drawn to his attention that—
- (a) in relation to income tax the Commissioners of Inland Revenue may accept pecuniary settlements instead of instituting proceedings ;
 - (b) though no undertaking can be given as to whether or not those Commissioners will accept such a settlement in the case of any particular person, it is the practice of the Commissioners to be influenced by the fact that a person has made "a full confession of any fraud or default to which he has been a party, and has given full facilities for investigation,
- and that he was or may have been induced thereby to make the statements or produce the documents.
- (2) The proceedings mentioned in subsection (1) of this section are—
- (a) any criminal proceedings against the person in question for any form of fraud or wilful default in connection with or in relation to income tax ;
 - (b) any proceedings against him for the recovery of any sum due from him, whether by way of tax or penalty, in connection with or in relation to income tax.

35 Power to require production of accounts and books.

- (1) Where a person who has been duly required to deliver a statement of the profits or gains arising to him from any trade, profession or vocation fails to deliver the statement, or where the Commissioners of Inland Revenue are not satisfied with the statement delivered by any such person, the Commissioners of Inland Revenue may serve on that person a notice in writing or notices in writing requiring him to do any of the following things, that is to say—
- (a) to deliver to the surveyor copies of such accounts (including balance sheets) relating to the trade, profession or vocation as may be specified or described in the notice within such period as may be therein specified, including, where the accounts have been audited, a copy of the auditor's certificate ;
 - (b) to make available, within such time as may be specified in the notice, for inspection by the surveyor or by any officer authorised by the Commissioners of Inland Revenue, all such books, accounts and documents in his possession or power as may be specified or described in the notice, being books, accounts and documents which contain information as to transactions of the trade, profession or vocation,
- and, if a person on whom any such notice is served fails without reasonable excuse to comply with the requirements of the notice, he shall be liable to a penalty not exceeding fifty pounds and, after judgment has been given for that penalty, to a further penalty of the like amount for every day during which the failure continues.

Where the person on whom the notice is served is a body corporate, that body corporate shall be liable to a penalty when there is any failure to comply with the notice, as

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well as the secretary or other officer performing the duties of secretary of the body corporate.

- (2) The power conferred by section one hundred and thirty-nine of the Income Tax Act, 1918, on commissioners hearing appeals to issue precepts to the appellant ordering the delivery of schedules of particulars shall extend to the issue of precepts requiring the appellant to make available, within the time limited by the precept, for their inspection or that of the surveyor or any officer authorised by the Commissioners of Inland Revenue, all such books, accounts or documents in his possession or power as may be specified or described in the precept, being books, accounts or documents which, in the opinion of the commissioners issuing the precept, contain or may contain information relating to the subject matter of the appeal.
- (3) The surveyor or other officer or the commissioners may take copies of, or extracts from, any books, accounts or documents made available for his or their inspection under this section.