



Finance Act 1946

1946 CHAPTER 64

PART III

INCOME TAX.

24 Increase of earned income reliefs, etc.

- (1) Subsection (1) of section fifteen of the Finance Act, 1925 (which, as amended by subsequent enactments, provides for a deduction of tax on an amount equal to one-tenth of the amount of earned income, but not exceeding one hundred and fifty pounds) and subsection (2) of the said section fifteen (which, as amended by subsequent enactments, provides, in a case where an individual or his wife has attained the age of sixty-five and his total income does not exceed five hundred pounds, for a deduction of tax on an amount equal to one-tenth of his income) shall have effect as if the words " one-eighth " were substituted for the words " one-tenth ":

Provided that the additional relief afforded by this subsection for the year 1946-47 shall not affect the amount of tax deductible or repayable before the fifth day of October, nineteen hundred and forty-six.

- (2) 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 eighty 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 eighty pounds, whichever is the less) shall have effect as if the words " one hundred and ten pounds " were substituted for the words " eighty pounds " and as if the words " seven-eighths " were substituted for the words " nine-tenths ".

25 Continuation of certain expiring reliefs.

- (1) 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 war) shall apply in relation to tax for the year 1946-47 as it applied in relation to tax for the year 1939-40, with the adaptation that references to the year 1939-40

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shall be construed as references to the year 1946-47 and references to the year 1938-39 shall be construed as references to the year 1945-46.

- (2) Section nine of the Finance Act, 1941 (which enables the limit of relief in respect of insurance premiums to be calculated by reference to pre-war income) shall apply with respect to income tax chargeable for the year 1946-47 as it applied with respect to income tax chargeable for the year 1945-46.

26 Repayment of post-war credits in certain cases.

- (1) Subject to the provisions of this section, if a man makes a written application to the Commissioners of Inland Revenue in such form as they may require and satisfies them—"

- (a) that, on or before the date of his application, he had attained the age of sixty-five years ; and
- (b) that, if that date had been the date fixed by the Treasury under subsection (1) of section seven of the Finance Act, 1941, he would have been entitled to have a postwar credit to which this section applies credited to him for his own use ; and
- (c) that his title to the credit does not arise under or by virtue of any assignment or charge, other than an assignment by the personal representatives of a deceased person to a beneficiary under the will or other testamentary disposition of, or on the intestacy of, the deceased person,

the said section seven shall, in relation to that credit, have effect as if the said date had been fixed by the Treasury under the said subsection (1) :

Provided that the amount falling to be credited to the claimant under the said section seven shall, in lieu of being credited to him thereunder, be paid by the Commissioners of Inland Revenue as soon as may be after such date, not being in any case earlier than the first day of August, nineteen hundred and forty-six, as may be prescribed.

- (2) Subsection (1) of this section shall apply to a woman as it applies to a man, with the substitution of the words " sixty years " for the words " sixty-five years " .
- (3) In this section, the expression " a post-war credit to which this section applies " means a sum ascertained and recorded in relation to an individual under section seven of the Finance Act, 1941, for the year 1941-42, the year 1942-43 or the year 1943-44 :

Provided that where, by reason of an apportionment of any such sum between a man and his wife under the provisions of the said section seven, or by reason of an assignment by the personal representative of a deceased person, a man or woman who makes an application under this section would have been entitled to have credited to him or her only a part of the said sum if the date of his or her application had been the date fixed by the Treasury as aforesaid, the said expression shall, in relation to that man or woman, mean that part of that sum.

- (4) Where a payment is made under this section in respect of a post-war credit and the amount ascertained and recorded in relation to the individual in question under subsection (1) of section seven of the Finance Act, 1941, exceeds the actual amount of tax ultimately borne by that individual for the year of assessment in question which is attributable to the passing of subsections (2), (3) and (4) of section six of that Act, and the excess is attributable to an adjustment of the liability of that individual to income tax, the amount of the excess, or, where the proviso to the last preceding subsection

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applies, a proportionate part of that amount, shall be recoverable from the person to whom the payment was made as a debt due to the Crown.

- (5) The Treasury may make regulations for carrying this section into effect and, in particular, for prescribing anything which under this section is to be prescribed and for requiring claimants to produce such evidence in support of their claims (whether made before or after the making of the regulations) as may be required by the Commissioners of Inland Revenue.
- (6) If any person, in or in connection with an application under this section, makes a statement which he knows to be false in any material particular or recklessly makes any statement which is false in any material particular, he shall be liable on summary conviction to imprisonment for a term not exceeding three months, or to a fine not exceeding one hundred pounds, or to both such imprisonment and such fine.
- (7) Such sums as are required by the Commissioners of Inland Revenue for the purpose of making payments under this section shall be issued to them out of the Consolidated Fund of the United Kingdom or the growing produce thereof.
- (8) For the purpose of providing any sums to be issued under the last preceding subsection, the Treasury may raise money in any manner in which they are authorised to raise money under the National Loans Act, 1939, and any securities created and issued to raise money under this subsection shall be deemed for all purposes to have been created and issued under that Act.
- (9) This section other than the provisions of subsection (6) thereof shall be deemed to have had effect as from the first day of June, nineteen hundred and forty-six.

27 Insurance contributions, family allowances and insurance benefit.

- (1) The amount of any contribution paid by any person under the National Insurance Act shall be deducted from or set off against any income of that person for the year of assessment in which the contribution is paid, and tax shall, where necessary, be discharged or repaid accordingly, and the ' total income of that person for that year of assessment shall be calculated accordingly for all the purposes of the Income Tax Acts, and no relief or deduction shall be given or allowed under any other provision of those Acts in respect of any contribution in respect of which relief can be given under this subsection :

Provided that nothing in this subsection—

- (a) shall be construed as allowing any amount to be deducted from or set off against any income of any person in respect of any contribution paid by him on behalf of , any other person ; or
 - (b) shall apply to any employer's contribution which, apart from this subsection, would be allowable as a deduction in computing the amount of any profits or gains, or would be included in computing the expenses of management in respect of which relief may be claimed under section thirty-three of the Income Tax Act, 1918, or would be included in computing the expenses of management or supervision in respect of which relief may be claimed under section twenty-six of the Finance Act, 1922.
- (2) Subject to the provisions of this subsection, payments of benefit under the National Insurance Act, other than maternity grant and death grant, and payments on account of family allowances shall be charged to income tax under Schedule E on the amounts

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thereof for the year of assessment and shall be deemed to be earned income for all the purposes of the Income Tax Acts:

Provided that no such payment shall be treated by virtue of this subsection as earned income for the purposes of subsection (2) of section eighteen of the Finance Act, 1920 (which provides, in the case of married persons, for an increased personal allowance by reference to the wife's earned income) unless it is payable by way of unemployment benefit, sickness benefit or maternity allowance.

- (3) In this section, the expression " the National Insurance Act " means any Act of the present Session (whether passed before, after, or at the same time as this Act) establishing an extended system of national insurance providing pecuniary payments by way of unemployment benefit, sickness benefit, maternity benefit, retirement pension, widows' benefit, guardian's allowance and death grant, or any Act of the Parliament of Northern Ireland passed for purposes similar to the purposes of that Act, and includes any enactment in so far as it amends any such Act, the expressions " contribution ", " employer's contribution ", " unemployment benefit ", " sickness benefit", " maternity allowance ", " maternity grant " and " death grant " have the same meanings as in the National Insurance Act, and the expression " family allowance " means a family allowance under the Family Allowances Act, 1945, under the Family Allowances Act (Northern Ireland), 1945, or under any enactment amending either of those Acts.
- (4) A person who, by virtue of any provision of the National Insurance Act, suffers a deduction from his remuneration in respect of any contribution shall be deemed for the purposes of this section to have paid a contribution equal to the amount of the deduction.

28 Surtax on income under settlements.

- (1) Where, during the life of the settlor, income arising under a settlement made on or after the tenth day of April, nineteen hundred and forty-six, is, under the settlement and in the events that occur, payable to or applicable for the benefit of any person other than the settlor, then, unless, under the settlement and in the said events, the income either—
- (a) is payable to an individual for his own use ; or
 - (b) is applicable for the benefit of an individual named in that behalf in the settlement or of two or more individuals named in that behalf therein ; or
 - (c) is applicable for the benefit of a child or children"- of an individual named in that behalf in the settlement; or
 - (d) is income from property of which the settlor has divested himself absolutely by the settlement"; or
 - (e) is income which, by virtue of some provision of the Income Tax Acts other than this section, is to be treated for the purposes of those Acts as income of the settlor,

the income shall be treated for the purposes of surtax as the income of the settlor and not as the income of any other person :

Provided that the exceptions provided for by paragraphs (a), (b) and (c) of this subsection shall not apply where the named individual or individuals or, in the case of the said paragraph (c), either the named individual or the child or any of the children in question, is in the service of the settlor or accustomed to act as the solicitor or agent of the settlor.

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- (2) The settlor shall not be deemed for the purposes of this section to have divested himself absolutely of any property if that property or any income therefrom or any property directly or indirectly representing proceeds of, or of income from,- that property or any income therefrom is, or will or may become, payable to him or applicable for his benefit in any circumstances whatsoever:

Provided that a settlor shall not be deemed not to have divested himself absolutely of any property by reason only that that property or income therefrom or any such other property or income as aforesaid may become payable to him or applicable for his benefit in the event of—

- (a) the bankruptcy of some person who is or may become beneficially entitled to any such property or income ; or
 - (b) an assignment of or charge on any such property or income being made or given by some such person ; or
 - (c) in the case of a marriage settlement, the death of both the parties to the marriage and of all or any of the children of the marriage ; or "
 - (d) the death under the age of twenty-five or some lower age of some person who would be beneficially entitled to that property or income on attaining that age.
- (3) In this section, the expressions " income arising under a settlement ", " settlement " and " settlor " have the meanings assigned to them for the purposes of Part IV of the Finance Act, 1938, by subsection (4) of section forty-one of that Act; and Part I of the Sixth Schedule to the Finance Act, 1943 (which relates to settlements with more than one settlor) shall have effect in relation to this section as it has effect in relation to the said Part IV.

29 Relief for payments for technical education.

- (1) Notwithstanding anything in Rule 3 of the Rules applicable to Cases I and II of Schedule D, where a person carrying on a trade makes any payment to be used for the purposes of technical education related to that trade at any university or university college, or at any such technical college or other similar institution as may for the time being be approved for the purposes of this section by the Minister of Education, the payment may be deducted as an expense in computing the profits or gains of the trade for the purposes of income tax.
- (2) For the purposes of this section, technical education shall be deemed to be related to a trade if, and only if it is technical education of a kind specially requisite for persons employed in the class of trade to which that trade belongs.
- (3) In relation to technical colleges or other institutions in Scotland or Northern Ireland, this section shall have effect as if for the reference to the Minister of Education there were substituted references, in the case of Scotland, to the Secretary of State, and, in the case of Northern Ireland, to the Ministry of Education for Northern Ireland.

30 Armed forces, etc.

- (1) Where, under the scheme relating to men in the armed forces of the Crown announced on behalf of His Majesty's Government in the United Kingdom on the fifteenth day of April, nineteen hundred and forty-six, or under any other scheme certified by the Treasury to make analogous provision for classes of persons to whom the first mentioned scheme does not apply, a person who has served in the armed forces of the

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Crown at any time during the continuance in force of the Emergency Powers (Defence) Act, 1939, voluntarily undertakes to serve therein for a further period, any sum payable to him in pursuance of the scheme out of moneys provided by Parliament by way of bounty at the commencement or gratuity at the end of his further period of service shall not be regarded as income for any of the purposes of the Income Tax Acts.

- (2) Any allowance payable out of the public revenue to or in respect of any class of persons, being either members of the armed forces of the Crown or women serving in any of the capacities mentioned in the Sixth Schedule to this Act, as respects which the Treasury certify either—
- (a) that it is payable to the persons in question in lieu of food or drink normally supplied in kind to members of the armed forces or women serving in any of the capacities 'aforesaid; or
 - (b) that it is payable in respect of the persons in question as a contribution to the expenses of a mess,
- shall not be regarded as income for any of the purposes of the Income Tax Acts.
- (3) The Income Tax (Employments) Act, 1943, shall extend to pay, pensions or other emoluments in respect of service in or with the armed forces of the Crown assessable to income tax under Schedule E, and accordingly in subsection (2) of section one of that Act, as amended by section one of the Income Tax (Offices and Employments) Act, 1944, the words " other than pay, pensions or other emoluments payable in respect of service in or with the armed forces of the Crown " shall cease to have effect.
- (4) Without prejudice to the generality of the powers conferred by subsection (1) of section two of the Income Tax (Employments) Act, 1943, regulations under that subsection may make such special provision in relation to members of the armed forces of the Crown or women serving in any of the capacities mentioned in the Sixth Schedule to this Act, as may appear appropriate.
- (5) The provisions of the two last preceding subsections shall have effect only as respects income tax for the year 1947-48 or any subsequent year of assessment.

31 Relief from tax on dividends from companies resident abroad.

- (1) Where, on a claim made under this section, a person satisfies the Commissioners of Inland Revenue as respects an ordinary dividend paid to him and in respect of which he is chargeable to income tax by deduction or otherwise for the year 1945-46 or any subsequent year of assessment, that—
- (a) it is a dividend paid by a body corporate not resident in the United Kingdom ; and
 - (b) the relevant profits of that body corporate included profits on which United Kingdom income tax has been paid by that body corporate, by deduction or otherwise,
- he shall be entitled to relief from the tax so chargeable on him in respect of the appropriate fraction of the dividend.
- (2) In this section, the expression " the appropriate fraction " means, in relation to a dividend paid by a body corporate, the fraction having, as numerator, the gross amount of the relevant profits of that body corporate on which United Kingdom income tax has been paid by it, by deduction or otherwise, and, as denominator, the said gross amount plus the gross amount of the relevant profits of the body corporate on which United Kingdom income tax has not been paid by it.

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Provided that the said gross amounts shall be subject to the following adjustments in respect of rents paid by the body corporate, in respect of interest, annuities or other annual payments paid by the body corporate, not being payments of dividends or distributions of profits and in respect of royalties paid by the body corporate, that is to say—

- (a) where by reason of the payment or charge of the said United Kingdom income tax, the body corporate has become entitled to deduct and retain tax on the whole or any part of the rent, payment or royalty, the first mentioned gross amount shall be deemed for the purposes of this subsection to be reduced by an amount equal to the whole, or, as the case may be, that part, of that rent, payment or royalty ;
 - (b) where none of the provisions of the Income Tax Acts providing for the deduction and retention of tax apply to the rent, payment or royalty, and the rent, payment or royalty is paid out of the relevant profits, the last mentioned gross amount shall be deemed for the purposes of this subsection to be reduced by the amount of the .rent, payment or royalty in so far as that rent, payment or royalty has not been deducted in computing that gross amount.
- (3) Subject to the provisions of subsection (4) of this section, the expression " the relevant profits " means in relation to any dividend paid by a body corporate—
- (a) if the dividend is paid for a specified period, the profits of tlje body corporate of that period ;
 - (b) if the dividend is not paid for a specified period but is paid out of specified profits of the body corporate, those profits ;
 - (c) if the dividend is paid neither for a specified period nor out of specified profits, the profits of the body corporate of the, last period for which the accounts thereof were made up which ended before the dividend became payable.
- (4) If, in a case falling under paragraph (a) or paragraph (c) of the last preceding subsection, the total dividend exceeds the profits of the body corporate of the period mentioned in the said paragraph (a) or the said paragraph (c), as the case may be,—
- (a) the relevant profits shall be the profits of that period plus so much of the profits of preceding periods (other than profits previously distributed or previously treated as relevant for the purposes of this section) as is equal to the excess (the profits of the most recent preceding period being first taken into account, then the profits of the next most recent preceding period, and so on); and
 - (b) where only part of the profits of any period are taken into account, that part shall be treated as consisting of profits on which United Kingdom income tax has been paid by the body corporate of an amount which bears to the total profits of that period on which United Kingdom income tax has been so paid the same proportion as the part of the profits taken into account as aforesaid bears to the whole of the profits of the period.
- (5) Where a body corporate not resident in the United Kingdom controls, directly or indirectly, not less than one half of the voting power in any other body corporate not resident in the United Kingdom, and receives an ordinary dividend paid by that other body corporate, then, if the relevant profits of that other body corporate include profits on which United Kingdom income tax has been paid by that other body corporate, by deduction or otherwise, the first mentioned body corporate shall be treated for the purposes of this section as having paid United Kingdom income tax on an amount equal to the appropriate fraction of that dividend.

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- (6) In this section, the expression "ordinary dividend" means a dividend on a share which is not a preferred share and so much of any dividend on a preferred share as is not paid at a fixed gross rate per cent., and, for the purposes of this definition, the expression "preferred share" means a share which carries the right to dividends at a fixed gross rate per cent. payable in priority to all the dividends on some other class of share, whether or not it also carries the right to some further participation in profits.

In this subsection, the expression "share" includes stock.

- (7) Any reference in this section to the gross amount of any profits is a reference to the gross amount of those profits without any deduction of or in respect of United Kingdom income tax or any similar tax leviable outside the United Kingdom.
- (8) A claim under this section must be made to the Commissioners of Inland Revenue not later than six years after the end of the year of assessment for which the dividend is chargeable to tax, and section nineteen of the Finance Act, 1925 (which relates to the making and allowing of claims for certain reliefs and rights of appeal) shall apply in relation to claims under this section as it applies in relation to the claims mentioned in that section.
- (9) Any relief granted under this section—
- (a) may be given by way of repayment of tax or otherwise ; and
 - (b) shall, for the purposes of paragraph 2 of the Seventh Schedule to the Finance (No. 2) Act, 1945 (which delimits the relief allowable under double taxation - agreements), be deemed to reduce the amount of United Kingdom income tax chargeable in respect of the dividend in question ; and
 - (c) shall, for the purposes of subsection (1) of section twenty-seven of the Finance Act, 1920 (which relates to Dominion income tax relief) (but not for the purposes of the definition of "appropriate rate of United Kingdom income tax" set out in Part II of the Fifth Schedule to the Finance Act, 1927), be deemed to reduce the amount of tax paid or payable by the person to whom the relief is granted ; and
 - (d) shall, for the purposes of subsection (3) of section forty of the Finance Act, 1927 (which limits the amount of personal or other reliefs in certain cases), be treated as if it were a relief in respect of a reduction of an assessment,

but the granting of relief under this section shall not operate to reduce the total income of any person for any of the purposes of the Income Tax Acts, and, in considering for the purposes of Rule 19 or Rule 21 of the General Rules whether any payment has been made wholly or partly out of profits or gains brought into charge to tax, so much of any dividend as is the subject of relief given under this section shall be treated as not having been brought into charge to tax.

32 Assessment for penultimate year of trades discontinued in consequence of nationalisation schemes.

Where, by any Act passed after the beginning of the present Session which embodies any scheme for the carrying on of any industry or part of an industry, or of any undertaking, under national ownership or control, provision is made for the transfer of any property, constituting the assets of a trade, as part of the initial putting into force of the scheme, to the Crown or to a body corporate constituted for the purposes of that scheme or any previous scheme for such national ownership or control as aforesaid and, in consequence of the transfer, the trade is permanently discontinued in 1946-47

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or any subsequent year of assessment, no additional assessment shall be made under paragraph (b) of subsection (1) of section thirty-one of the Finance Act, 1926, in consequence of that discontinuance for the year preceding the year of assessment in which that discontinuance occurs.

33 Increase of balancing allowances under Part I of Income Tax Act, 1945.

- (1) Subject to the provisions of this section, so much of the provisions of subsection (4) of section three of the Income Tax Act, 1945, as requires that balancing allowances to be made in the events mentioned in subsection (1) of that section (being sales of and other events relating to industrial buildings and structures) shall, in the cases mentioned in the said subsection (4), be reduced by applying a certain fraction, shall not have effect.
- (2) Where any person by notice in writing to the surveyor elects that subsection (1) of this section shall not have effect in relation to any of the said events, he shall, in relation to that event, be treated for all the purposes of the Income Tax Acts as he would have been treated apart from the provisions of subsection (1) of this section.

34 Amendment of Income Tax Act, 1945, s. 59.

- (1) Subsection (3) of section fifty-nine of the Income Tax Act, 1945 (which, amongst other things, prohibits the making of initial allowances in certain cases to a buyer of machinery or plant) shall, in the case of a sale to which this section applies, have effect subject to the modification hereinafter specified.
- (2) This section applies to any sale of machinery or plant where—
 - (a) the sale is one to which paragraph (a) of subsection (1) of the said section fifty-nine applies and paragraph (b) of the said subsection (1) does not apply ; and
 - (b) an initial allowance fell to be made to the seller of the machinery or plant in respect of the capital expenditure which he incurred on 'the provision thereof; and
 - (c) a balancing charge is made on the seller by reason of the sale ; and
 - (d) the price which the machinery or plant would have fetched if sold in the open market at the time of the sale exceeds four-fifths of the limit of recharge on the seller.
- (3) The modification referred to is that paragraph (a) of subsection (3) of the said section fifty-nine shall not apply but the initial allowance to the buyer shall not exceed whichever of the three following amounts is the lowest, that is to say—
 - (a) the excess of the said price over four-fifths of the said limit of recharge ;
 - (b) the initial allowance which fell to be made to the seller as aforesaid ;
 - (c) the amount on which a balancing charge is made on the seller as aforesaid.
- (4) Expressions used in the preceding provisions of this section have the meanings which they have in subsection (3) of the said section fifty-nine.

35 Amendment of. Income Tax Act. 1918. s. 146.

The power conferred on the general commissioners by section one hundred and. forty-six of the Income Tax Act, 1918, to charge a person to treble tax under Schedule D in certain circumstances shall, during the continuance in force of paragraph 4 of Part I of the Tenth Schedule to the Finance Act, 1942 (which makes assessments

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under Schedule D effective without the interposition of the general commissioners) be exercisable also by the additional commissioners, but paragraph 5 of the said Part I (which enables a single additional commissioner to act) shall not apply to the exercise thereof.