(*a*) before doing so, report in person at a police station in the registration district of his registered place of residence and notify the address to which he is about to proceed to the officer in charge of the station;

(*b*) within twenty-four hours of his arrival at the last mentioned address and at any other address at which he spends a night before his return to his registered place of residence, report in person at the police station nearest to the address and notify the address and his registered place of residence to the officer in charge of the station and, before leaving the address, he shall report in person at the last mentioned police station and notify the address to which he is about to proceed to the said officer; and

(*c*) within twenty-four hours of his return to his registered place of residence, report in person at a police station in the registration district of his registered place of residence and notify the fact of his return to the officer in charge of the station.

3.—(1) Exemption from any of the requirements of Article 2 of this Order may be granted in writing to any alien by or on behalf of the Secretary of State or the registration officer of the registration district in which the alien has his registered place or residence.

(2) Any exemption under this Article may be granted for a specified period and subject to conditions and may be cancelled or varied—

(i) in the case of an exemption granted by or on behalf of the Secretary of State, by or on behalf of the Secretary of State;

(ii) in the case of an exemption granted by or on behalf of a registration officer, by or on behalf of the Secretary of State or the registration officer.

(3) Any exemption under this Article granted by or on behalf of a registration officer shall cease to have effect upon the alien to whom it was granted changing his registered place of residence if the change involves his removal from one registration district to another registration district.

4. This Order may be cited as the Aliens (Movement Restriction) Order, 1941, and shall come into force on the twenty-first day of January, 1941.

Order, under Article 17 (2) of the Aliens Order, 1920, as subsequently amended.

No. 59, 13rd January, 1941.

1. An alien who is the wife or a minor child of a member—

(*a*) of His Majesty's naval, military or air forces,

(*b*) of any naval, military or air forces of any foreign Power engaged, in

alliance with His Majesty, in any war in which His Majesty is also engaged, or

(*c*) of any naval, military or air forces maintained by any foreign authority recognised by His Majesty as comptent to maintain such forces for service in association with His Majesty's forces,

shall be exempt from Article 1 of the Order (which imposes on certain aliens restrictions as to employment) made by the Secretary of State under Articles 11 and 17 of the Aliens Order, 1920, as subsequently amended, and dated the seventeenth day of November, 1939.

2. This Order shall come into force on the twenty-first day of January, 1941.

Aliens (Former British Subjects) Order, under Article 17 (2) of the Aliens Order, 1920, as subsequently amended.

No. 279, 28th February, 1941.

1. A married woman or widow who, having been a British subject, is deemed to be an alien by reason only of her being or having been the wife of an alien shall be exempt from the following provisions, that is say:—

(*a*) Article 1 of the Order (which imposes on certain aliens restrictions as to employment) made by the Secretary of State under Articles 11 and 17 of the Aliens Order and dated the seventeenth day of November, 1939;

(*b*) Articles 1, 2 and 3 of the Aliens (Movement Restriction) Order, 1940;

(*c*) Article 2 of the Aliens (Movement Restriction) Order, 1941; and

(*d*) the Aliens (Wireless Apparatus Restriction) Order, 1940, in so far as that Order relates to wireless receiving apparatus.

2. The Direction (which exempted certain aliens from the provisions of Article 6 of the Aliens Order) given by the Secretaey of State under Article 14 of the Aliens Order and dated the third day of January, 1940, is hereby revoked.

3. In Article 2 of the Order made by the Secretary of State under Article 11 of the Aliens Order and dated the third day of January, 1940, the words from "but" to the end of the Article are hereby revoked.

4. This Order may be cited as the Aliens (Former British Subjects) Order, 1941, and shall come into force on the thirteenth day of March, 1941.

Aliens (Protected Areas) (No. 3) Order, under Article 17 (2) of the Aliens Order, 1920, as subsequently amended.

No. 280, 28th February, 1941.

1. A marrid woman or widow who, having been a British subject, is deemed

to be an alien by reason only of her being or having been the wife of an alien shall be exempt from Articles 2 and 3 of the Aliens (Protected Areas) (No. 4) Order, 1940, of the Aliens (Protected Areas) (No. 5) Order, 1940, of the Aliens (Protected Areas) (No. 6) Order, 1940, and of the Aliens (Protected Areas) Order, 1941.

2. This Order may be cited as the Aliens (Protected Areas) (No. 3) Order, 1941, and shall come into force on the thirteenth day of March, 1941.

IV. 財　政

1. 財政一般

Finance Act.

3 & 4 Geo. 6. Ch. 29. 27th June, 1940.

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PART I.

CUSTOMS AND EXCISE.

1.—(1) The duty of excise charged in respect of beer under subsection (1) of section one of the Finance (No. 2) Act, 1939 (hereafter in this section referred to as

"the Act of 1939"), shall be charged at the increased rates set out in Part I of the First Schedule to this Act; and accordingly the said section one shall have effect as if the said Part I were substituted for Part I of the First Schedule to the Act of 1939.

(2) In the case of beer in respect of which it is shown to the satisfaction of the Commissioners that a duty of excise at any such increased rate has been paid, the excise drawback allowed under the said subsection (1) shall be allowed at the increased rates set out in Part II of the First Schedule to this Act, subject to the provisions of that Part of that Schedule; and accordingly the said section one shall have effect, as respects beer in respect of which it is shown as aforesaid, as if the said Part II were substituted for Part II of the First Schedule to the Act of 1939.

(3) The duties of customs charged under subsection (2) of the said section one in respect of beer being an Empire product and beer not being an Empire product shall respectively be charged at the increased rates set out in Parts III and IV of the First Schedule to this Act; and accordingly the said section one shall have effect as if the said Parts III and IV were respectively substituted for Parts III and IV of the First Schedule to the Act of 1939.

(4) In the case of beer in respect of which it is shown to the satisfaction of the Commissioners that a duty of customs at any such increased rate has been paid, the customs drawback allowed under the said subsection (2) in the case of beer being an Empire product and beer not being an Empire product shall respectively be allowed at the increased rates set out in Parts V and VI of the First Schedule to this Act, subject to the provisions of those Parts of that Schedule; and accordingly the said section one shall have effect, as respects beer in respect of which it is shown as aforesaid, as if the said Parts V and VI were respectively substituted for Parts V and VI of the First Schedule to the Act of 1939.

(5) This section shall be deemed to have had effect as from the twenty-fourth day of April, nineteen hundred and forty.

2.—(1) The duties of customs charged on spirits under subsection (1) of section three of the Finance Act, 1920, in addition to the duties specified in Part II of the First Schedule to that Act shall be charged at the increased rates specified in the Second Schedule to this Act; and accordingly the said subsection (1) shall have effect as if the said Schedule to this Act were substituted for Part I of the First Schedule to that Act.

(2) The rate of the duty of excise charged on spirits under subsection (2) of section three of the Finance Act, 1920, in addition to the duties specified in Part III of the First Schedule to that Act shall be increased to four pounds, seventeen shillings

and sixpence per gallon computed at proof; and accordingly the said subsection (2) shall have effect as if for the words "four pounds, two shillings and sixpence" there were substituted the words "four pounds, seventeen shillings and sixpence".

(3) This section shall be deemed to have had effect as from the twenty-fourth day of April, nineteen hundred and forty.

3.—(1) In lieu of the duties of customs charged on tobacco under section five of the Finance (No. 2) Act, 1939, there shall, subject to the provisions of section eight of the Finance Act, 1919, be charged on tobacco imported into the United Kingdom of the descriptions set out in the first column of Part I of the Third Schedule to this Act duties of customs at the rates respectively specified in the second column of that Part of that Schedule.

(2) In lieu of the duties of excise charged on tobacco under the said section five there shall be charged on tobacco grown in the United Kingdom of the descriptions set out in the first column of Part II of the Third Schedule to this Act duties of excise at the rates respectively specified in the second column of that Part of that Schedule.

(3) The drawback allowed under section one of the Manufactured Tobacco Act, 1863, on tobacco exported from the United Kingdom or deposited in a bonded or King's warehouse shall, in cases where it is shown that the duties charged under this section have been paid, be allowed at the rates set out in Part III of the Third Schedule to this Act instead of at the rates set out in Part III of the Fourth Schedule to the Finance (No. 2) Act, 1939, but subject to the provisions affecting allowance of drawback contained in the Schedule to the Finance Act, 1904.

(4) This section shall be deemed to have had effect as from the twenty-fourth day of April, nineteen hundred and forty.

4.—(1) In lieu of the duties of customs charged on matches under section four of the Finance Act, 1933, there shall be charged on matches imported into the United Kingdom duties of customs at the rates specified in Part I of the Fourth Schedule to this Act.

(2) In lieu of the duties of excise charged on matches under section eight of the Finance Act, 1927, there shall be charged on matches manufactured in the United Kingdom duties of excise at the rates specified in Part II of the Fourth Schedule to this Act.

(3) Subsections (4) and (5) of section three of the Finance (New Duties) Act, 1916, shall apply for the purpose of the duties charged under this section as they were applied by the said sections four and eight for the purpose of the duties charged under those sections respectively.

(4) This section shall be deemed to have had effect as from the twenty-ninth day of April, nineteen hundred and forty.

5.—(1) The rate of the duty of customs charged under section six of the Finance Act, 1928, on the importation into the United Kingdom of any mechanical lighter, and of any component part of a mechanical lighter other than a flint, shall be increased to three shillings and sixpence.

(2) The rate of the duty of excise charged under the said section six on every mechanical lighter manufactured in the United Kingdom which is complete, or which could be made complete by the addition of a flint, and on every mechanical lighter sent out in an incomplete state from the premises of a manufacturer of mechanical lighters shall be increased to two shillings and sixpence.

(3) This section shall be deemed to have had effect as from the twenty-ninth day of April, nineteen hundred and forty.

6. Subsection (1) of section seven of the Finance Act, 1926 (which, as extended by section eight of the Finance Act, 1938, provides for the stabilisation of rates of Imperial preference, in the case of the duties of customs chargeable on surgar, molasses, glucose and saccharin, during a period ending on the nineteenth day of August, nineteen hundred and forty) shall, in so far as it relates to the said duties, have effect as if the said period were extended so as to expire on the thirty-first day of August, nineteen hundred and forty-two.

7.—(1) Drawback of any duty paid under Part I of the Safeguarding of Industries Act, 1921, may be allowed under the Second Schedule to the Import Duties Act, 1932, and section nine of the Finance Act, 1932, in like manner as if the duty had been chargeable under Part I of the Import Duties Act, 1932:

Provided that no drawback shall be allowed by virtue of this section on the bringing of any goods into a registered shipbuilding yard within the meaning of section eleven of the Import Duties Act, 1932.

(2) As from the date on which an order made under the said Second Schedule comes into operation with respect to goods of any class or description on which duty has been paid under Part I of the Safeguarding of Industries Act, 1921, subsection (1) of section twelve of that Act (which provides for drawing back the duties chargeable thereunder) shall cease to have effect as respects goods of that class or description.

8.—(1) Where a member of any of His Majesty's naval, military or air forces is on such leave as is hereinafter mentioned there may, subject to the provisions of this section, be issued to him, in respect of any mechanically propelled vehicle, a permit authorising the use of the vehicle on roads until the end of the day after the last

day of the period for which the leave was granted, notwithstanding that no licence under section thirteen of the Finance Act, 1920, is in force in respect of the vehicle:

Provided that a permit under this section shall not be issued to any person—

(*a*) except in respect of a vehicle which was registered in his name under the Roads Act, 1920, during some period during which a licence under the said section thirteen was in force in respect of the vehicle; or

(*b*) in respect of more than one vehicle in any one period of leave; or

(*c*) in respect of any vehicle unless, when the last licence in respect of the vehicle under the said section thirteen expired, the vehicle was stated in the registration book thereof to be a cycle, a private vehicle or a private and goods vehicle.

(2) The leave mentioned in the foregoing provisions of this section is leave granted for not more than twenty-one days, being—

(*a*) leave from service at a place which is outside the United Kingdom, the Isle of Man and the Channel Islands;

(*b*) leave from service in the Orkneys, the Shetlands or the Hebrides;

(*c*) leave from service afloat (including leave granted on the occasion of the loss of a ship or the paying off of a ship's crew); or

(*d*) leave from service as a member of an aircraft operational crew of the Royal Air Force or as one of the flying personnel of a first line squadron of the Fleet Air Arm.

(3) Subsection (5) of section five of the Roads Act, 1920, (which requires licences under section thirteen of the Finance Act, 1920, to be fixed to and exhibited on vehicles) and any regulations made for the purposes of that subsection, and subsection (4) of section thirteen of the Roads Act, 1920, (which imposes penalties for forging or fraudulently using any such licence or fraudulently lending it or allowing it to be used by any other person) shall apply to permits under this section as they apply to those licences; and subsection (5) of section thirteen of the Roads Act, 1920, (which provides for the payment into the Exchequer of penalties recovered under the last mentioned Act) shall apply to penalties in respect of permits under this section as it applies to penalties recovered under that Act.

(4) The Minister of Transport may make regulations for giving effect to the provisions of this section, and (without prejudice to the generality of the foregoing words)—

(*a*) for prescribing the form of the permits to be granted thereunder and the authorities by whom they are to be granted; and

(*b*) for requiring applicants for permits to produce such evidence as may be prescribed by the regulations that the applicant is entitled to the issue of the permit, and that there is in force, in relation to the user of the vehicle by the applicant or by other persons on his order or with his permission, such a policy of insurance or security as is necessary under Part II of the Road Traffic Act, 1930, and Part II of the Boad Traffic Act, 1934.

(5) There shall be paid on the issue of any such permit as aforesaid a fee of two shillings in the case of any vehicle which would otherwise be taxable under paragraph 1 of the Second Schedule to the Finance Act, 1920, (which relates to cycles) and of ten shillings in the case of any other mechanically propelled vehicle, and all such fees shall be paid into the Exchequer.

(6) This section shall apply in relation to members of such women's services as may be prescribed by order of the Admiralty, the Army Council or the Air Council as it applies to members of His Majesty's naval military or air forces; and any such order may be varied or revoked by a subsequent order of the Admiralty, the Army Council or the Air Council, as the case may be.

(7) This section shall be deemed to have come into operation on the nineteenth day of April, nineteen hundred and forty, and shall expire, save as respects things previously done or omitted to be done, on such day as His Majesty may by Order in Council determine; and any regulations made under this section may be made to apply retrospectively as from the said nineteenth day of April.

9.—(1) Sub-paragraph (*a*) of paragraph 4 of the Second Schedule to the Finance Act, 1920, (which, as amended by the Seventh Schedule to the Finance Act, 1933, and section ten of the Finance Act, 1939, prescribes the rate of duty payable under section thirteen of the Finance Act, 1920, in respect of the mechanically propelled vehicles mentioned in the said paragraph 4) shall, in relation to the use on roads, during the period specified in subsection (3) of this section, of such agricultural and other tractors and engines as are mentioned in the said sub-paragraph (*a*), have effect as if after paragraph (ii) thereof there were inserted the following paragraph—

"(iii) for hauling, from any such farm to a railway station, or from a railway station to any such farm, agricultural produce of, or articles required for, the farm".

(2) In subsection (7) of section two of the Finance Act, 1935 (which excepts from the provisions of that section withdrawing the rebate on heavy oils used as fuel for mechanically propelled vehicles the vehicles mentioned in sub-paragraphs (*a*), (*b*) and (*c*) of the said paragraph 4) the reference to the said sub-paragraph (*a*) shall, in relation to the period mentioned in subsection (3) of this section, be construed as a

reference to that sub-paragraph as amended by subsection (1) of this section.

(3) The period hereinbefore referred to is the period beginning with the eleventh day of March, nineteen hundred and forty, and ending with such date as His Majesty may by Order in Council determine, and this section shall be deemed to have come into operation on the said eleventh day of March.

10.—(1) A vehicle shall not be chargeable with duty under sub-paragraph (*d*) of paragraph 5 of the Second Schedule to the Finance Act, 1920, by reason of the use thereof, during the period to which this section applies, by a local authority for drawing trailers used solely in connection with the collection and disposal of refuse.

(2) The period to which this section applies is the period beginning with the first day of June, nineteen hundred and forty, and ending with such date as His Majesty may by Order in Council determine, and this section shall be deemed to have come into operation on the said first day of June.

(3) The foregoing provisions of this section shall apply in relation to the use of a vehicle by any person for the purpose of performing a contract with a local authority as they apply in relation to the use of a vehicle by a local authority.

Part II.

Income Tax.

Charge of Tax.

11.—(1) Income tax for the year 1940–41 shall be charged at the standard rate of seven shillings and sixpence 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 1939–40, other than such enactments contained in the Finance (No. 2) Act, 1939, as by their terms relate only to tax for the year 1939–40, shall, subject to the provisions of such of the enactments contained in the said Act as by their terms relate only to the year 1940—41 and subsequent years, have effect with respect to the income tax charged for the year 1940–41.

12. Income tax for the year 1939–40 in respect of the excess of the total income of an individual over two thousand pounds shall be charged at rates in the pound which respectively exceed the standard rate by amounts equal to the amounts by which the rates at which income tax was charged in respect of the said excess for the year 1938–39 respectively exceeded the standard rate for that year.

13.—(1) The next five succeeding sections apply only to land in the United Kingdom chargeable to tax under Schedule A, and in this and the said next five succeeding sections the following expressions have the meanings hereby respectively assigned to them, that is to say—

"immediate lessor" means in relation to any premises—

(*a*) if different parts of the premises are the subject of separate tenancies or separate occupations, a lessor of the whole or any part of the premises whose estate or interest extends to the entirety of the premises and is not subject, immediately or mediately, to a lease of the entirety thereof; and

(*b*) in any other case, a lessor whose immediate tenant is occupying or entitled to occupy the entirety of the premises:

Provided that if, in any case to which paragraph (*a*) of this definition applies, there is more than one lessor satisfying the conditions set out in that paragraph, that one of those lessors shall be deemed to be the immediate lessor whose estate or interest is not reversionary on the estate or interest of any of the others;

"land" includes tenements, hereditaments and heritages;

"lease" includes an agreement for a lease if the term to be covered by the lease has begun, and any tenancy, but does not include a mortgage, and "lessee" and "lessor" shall be construed accordingly and include, respectively, the successors in title of a lessee or a lessor;

"long lease" means a lease granted for a term exceeding fifty years, other than a lease which is or takes effect as a lease for a term of years determinable after the death or marriage of any person;

"short lease" means a lease which is not a long lease;

"unit of assessment" means any land which forms a unit of assessment for the purposes of Schedule A.

(2) Where the estate or interest of any lessor of any premises is the subject of a mortgage and either the mortgagee is in possession or the rents and profits are being received by a receiver appointed by or on the application of the mortgagee, that estate or interest shall be deemed for the purposes of subsection (1) of this section and of the next five succeeding sections to be vested in the mortgagee, and references to a lessor and an immediate lessor shall be construed accordingly; but the amount of the liability to tax of any such mortgagee shall be computed as if the mortgagor were still in possession of the premises or, as the case may be, no receiver had been appointed, and as if it were the amount of the liability of the mortgagor that was being computed.

(3) For the purposes of the foregoing definitions—

(*a*) a lease granted for a term exceeding fifty years shall, if it be not terminable at the option of the lessor before the expiration of fifty years, be deemed to be such a lease notwithstanding that the lease is terminable at the option of the lessee before the expiration of that period; and

(*b*) a lease terminable at the option of the lessor before the expiration of fifty years shall be deemed to be a lease for a term not exceeding fifty years.

(4) This section shall, in its application to Scotland, have effect as if—

(*a*) in the proviso to the definition of "immediate lessor" for the words "is not reversionary on the estate or interest of any of the others" there were substituted the words "is dependent upon a lease later in date than any lease upon which the estate or interest of any of the others depends";

(*b*) for references to a mortgage, a mortgagee and a mortgagor there were substituted respectively references to a heritable security, a creditor in a heritable security and a debtor in a heritable security, and any reference to a receiver included a reference to a judicial factor.

14.—(1) Notwithstanding anything contained in Rule 4 of No. VII of Schedule A (which provides for relief from tax under Schedule A in respect of any house which is or becomes unoccupied for the year of assessment or for part of the year of assessment) relief from tax under Schedule A shall not be given under that Rule for any period in a year of assessment during which a house is or becomes unoccupied if rent for that period is payable to an immediate lessor in respect of the house under a short lease, and the person liable to pay the rent shall have the same right under Rule 1 of No. VIII of Schedule A of deducting tax as he would have if he were a tenant occupier:

Provided that this subsection shall not operate so as to authorise the levying of any tax for any such period as aforesaid which would fall to be ultimately borne by the person liable to pay the rent.

(2) Where a house is or becomes unoccupied for the whole or any part of a year of assessment, any tax payable under Schedule A for that year in respect thereof which is not otherwise recovered may be recovered from the person who is for the time being the immediate lessor of the house as if he had been charged therewith and in the same way as any other tax charged on him may be recovered:

Provided that this subsection shall not operate so as to authorise the recovery from any such person—

(*a*) of any tax which would fall to be ultimately borne by any person liable to pay rent to him or to any other immediate lessor of the house; or

(*b*) of any tax in respect of any period in the year in question unless rent for that period was payable under a short lease.

15.—(1) If, as respects any year of assessment, the immediate lessor of a unit of assessment is entitled in respect of the unit to any rent payable under a lease or leases to which this section applies, he shall be chargeable to tax under Case VI of Schedule D in respect of the excess, if any, of the amount which would have been the amount of the assessment of the unit for the purposes of Schedule A, as reduced for the purpose of collection, if the annual value of the unit had been determined (in accordance, in whatever part of the United Kingdom the unit is situated, with the Rules applicable to Schedule A set out in the First Schedule to the Income Tax Act, 1918) by reference to that rent and the other terms of the lease or leases, over whichever is the greater of—

(*a*) the actual amount of the assessment of the unit for the purposes of Schedule A, as reduced for the purpose of collection; or

(*b*) the amount of any rent payable by the immediate lessor in respect of the unit under any short lease or short leases.

(2) Where the immediate lessor of any unit of assessment is occupying any part thereof, subsection (1) of this section shall apply as if the rent to which he is entitled in respect of the unit under any lease or leases to which this section applies were increased by so much of the annual value of the unit (as ascertained for the purposes of Schedule A) as is attributable to the part which he is occupying.

(3) Where for any year an assessment has been made on an immediate lessor by virtue of this section, the amount of any relief which may be claimed by him under Rule 8 of No. V of Schedule A shall be such amount as could have been claimed by him if the annual value of the unit had been determined in the manner described in subsection (1) of this section.

(4) A lease shall be deemed to be a lease to which this section applies if, and only if, the following conditions are fulfilled with respect to it—

(*a*) that it is a short lease;

(*b*) that the land comprised in it is or forms part of a single unit of assessment;

(*c*) that the rent under it is payable to the immediate lessor of that unit;

(*d*) that the estate or interest of the immediate lessor of that unit is not, as respects any part of that unit, subject to any short lease which comprises

also land not wholly within that unit, being a lease the rent under which is payable to that immediate lessor.

16.—(1) A lessor who, as respects any year of assessment, is entitled to any rent in respect of any land under a lease or leases to which this section applies shall be chargeable to tax under Case VI of Schedule D in respect of any excess of that rent over the aggregate of the following amounts, that is to say—

(*a*) the amount, tax on which at the standard rate is equal to the amount of tax under Schedule A in respect of the land which he is liable to pay, by deduction or otherwise, under the provisions of the Income Tax Acts;

(*b*) the excess, if any, of the amount of any rent payable by him in respect of the land under any short lease or short leases over the amount referred to in the last preceding paragraph;

(*c*) if he is liable to pay tenant's rates in respect of the land, the amount borne by him in respect thereof for the year of assessment;

(*d*) any relief allowed under Rule 1 or Rule 4 of No. V of Schedule A in respect of any such outgoing in respect of the land as is mentioned in those Rules respectively, being an outgoing the burden of which would in the year of assessment fall upon him;

(*e*) if he bears the whole or any part of the burden of an annuity within the meaning of the Tithe Act, 1936, charged in respect of the land, the whole or, as the case may be, a corresponding part of any amount allowable in the year of assessment under subsection (6) of section thirteen of that Act as a deduction in respect of that annuity;

(*f*) the cost in the year of assessment of any services rendered or goods provided by him otherwise than by way of maintenance or repairs, being services or goods which he is legally bound under the lease or leases to render or provide but in respect of which he receives no separate consideration;

(*g*) the amount of the cost to him of maintenance, repairs, insurance and management of the land according to the average of the preceding five years, in so far as relief is not given to him in respect of that cost under any other provision of the Income Tax Acts.

(2) The leases to which this section applies are—

(*a*) short leases of land not wholly comprised in a single unit of assessment;

(*b*) short leases of land wholly comprised in a single unit of assessment, not being leases to which the last preceding section applies.

17.—(1) This section applies to the following payments, that is to say—

(*a*) rents under long leases;

(*b*) other annual sums as defined in paragraph (2) of Rule 4 of No. VIII of Schedule A, not being rents under a short lease or annuities within the meaning of the Tithe Act, 1936,

being payments falling due on or after the sixth day of April, nineteen hundred and forty.

(2) Rules 1 and 4 of No. VIII of Schedule A shall not apply to any payment to which this section applies, but any such payment shall, so far as it does not fall under any other Case, be charged with tax under Case VI of Schedule D and be treated for the purposes of such of the provisions of the Income Tax Acts as apply to royalties paid in respect of the user of a patent as if it were such a royalty.

(3) A deduction from a payment to which this section applies made on account of income tax at any time after the fifth day of April, nineteen hundred and forty, and before the passing of this Act which would have been a legal deduction if the provisions of this section had been in force at that time, shall be deemed for all purposes to have been a legal deduction to which all the provisions of Rule 19 or Rule 21 of the General Rules, as the case may be, were applicable; and the provisions of subsection (2) of section two hundred and eleven of the Income Tax Act, 1918, shall have effect as if this section had come into operation on the sixth day of April, nineteen hundred and forty.

(4) Notwithstanding anything in this section, sections thirty-seven and thirty-eight of the Income Tax Act, 1918, (which provide for giving relief from tax to hospitals and certain other bodies) shall be construed as if any tax chargeable by virtue of this section under Schedule D were chargeable under Schedule A.

(5) Any payment made in respect of land in Scotland for the period ending on the fifteenth day of May, nineteen hundred and forty, shall be treated for the purposes of this section as if it had become due at the commencement of that period.

18. The surveyor may, for the purpose of ascertaining whether there is any and if so what liability to tax under the last four preceding sections, give notice to any person who is entitled to any rent or other annual payment in respect of any land or is in receipt of any rent or other such annual payment belonging to any other person requiring him to deliver, within the time limited by the notice and in such form as may be prescribed by the Commissioners of Inland Revenue, such particulars relating to the land and the rent or other annual payment as may be prescribed by those Commissioners, and the provisions of the Income Tax Acts relating to notices to deliver, the delivery of, and the penalties for neglecting to deliver, returns and

statements shall apply for the purposes of, and in relation to notices under, this section.

Miscellaneous.

19.—(1) In Rule 1 of the Rules applicable to Case V of Schedule D (which provides for the taxation of income arising from certain possessions out of the United Kingdom irrespective of the receipt of the income in the United Kingdom) for the words "income arising from stocks, shares or rents in any place out of the United "Kingdom" there shall be substituted the words income arising from possessions out "of the United Kingdom other than income which—

"(*a*) is immediately derived by a person from the carrying on by him of "any trade, profession or vocation either solely or in partnership; or

"(*b*) arises from any office, employment or pension."

(2) In Rule 2 of the said Rules (which provides for the taxation of income arising from certain possessions out of the United Kingdom by reference to the sums received in the United Kingdom) for the words "other than stocks, shares or rents" there shall be substituted the words "other than income to which Rule 1 applies."

The amendment effected by subsection (2) of this section shall apply both in relation to Rule 2 as originally enacted and in relation to the Rule substituted therefor in respect of possessions in Eire by Part II of the Second Schedule to the Finance Act, 1926, but nothing in subsection (1) or subsection (2) of this section shall affect the tax chargeable in respect of the lands, tenements or hereditaments in Eire to which the proviso to the said substituted Rule 2 applies.

20.—(1) Where any dividend from which deduction of tax is authorised by Rule 20 of the General Rules is paid without deduction of tax, the amount received in respect thereof shall, for the purposes of the Income Tax Acts, be deemed to be a net amount received in respect of a dividend from the gross amount of which such deduction as is authorised by the said Rule 20 has been made, and the provisions of—

(*a*) section thirty-three of the Finance Act, 1924 (which imposes certain obligations in relation to the form of dividend warrants, &c.);

(*b*) subsection (3) of section twelve of the Finance Act, 1930 (which relates to cases where on payment of dividends, not being preference dividends within the meaning of that section, income tax has been deducted by reference to a standard rate greater or less than the standard rate for the year); and

(*c*) subsection (2) of section seven of the Finance Act, 1931 (which directs that, subject to the provisions of that subsection, dividends are to be deemed

for all the purposes of the Income Tax Acts to represent income of such an amount as would after deduction of tax be equal to the net amount received), shall apply accordingly.

(2) A preference dividend paid without deduction of tax shall not be treated as a preference dividend within the meaning assigned to that expression by subsection (4) of the said section twelve, and, in the proviso to subsection (2) of the said section seven, the words "within the meaning assigned to that expression by subsection (4) "of section twelve of the Finance Act, 1930" shall be substituted for the words "to which section twelve of the Finance Act, 1930, applies."

3) The foregoing provisions of this section shall apply where, though a deduction is made from a dividend, that deduction is less than the full amount authorised, as it applies where no deduction is made:

Provided that nothing in this subsection shall be construed as applying the said provisions to any dividend paid before the passing of the Act imposing the tax for the year by reason only that the deduction made therefrom was made by reference to a standard rate lower than that ultimately imposed for the year.

(4) This section shall have effect with respect to the year 1939–40 and all subsequent years of assessment:

Provided that so much of this section as applies the provisions of section thirty-three of the Finance Act, 1924, shall have effect only in relation to warrants, cheques and orders drawn or made, or purporting to be drawn or made, after the expiration of one month from the date of the passing of this Act.

21.—(1) Where a banking business, an assurance business or a business consisting wholly or partly in dealing in securities is carried on in the United Kingdom by a person not resident therein, then—

(*a*) in computing the profits arising from, or loss sustained in, the business for any of the purposes of the Income Tax Acts; and

(*b*) in the case of an assurance business, also in computing for the purposes of subsection (2) of section sixteen of the Finance Act, 1923, the profits or loss arising from the granting of annuities on human life,

all interest, dividends and other payments whatsoever to which paragraph (*d*) of Rule 2 of the General Rules applicable to Schedule C extends (whether by virtue of the terms of the said paragraph or by virtue of any other provision of the Income Tax Acts expressly or impliedly extending the operation of the said Rule 2) shall be included notwithstanding the exemption from tax conferred by the said Rule 2.

In this subsection, the expression "securities" includes stocks and shares.

(2) Where—

(*a*) any such business as aforesaid is carried on in the United Kingdom by a person not ordinarily resident therein; and

(*b*) in making any such computation as aforesaid with respect to that business, any interest on any securities issued by the Treasury is excluded by virtue of a condition of the issue thereof regulating the treatment of the interest thereon for income tax purposes,

any interest on money borrowed for the purpose of acquiring the securities, any other expenses attributable to the acquisition or holding of, or to any transaction in, the securities, and any profits or losses so attributable, shall also be excluded in making that computation.

(3) In the case of an assurance company not having its head office in the United Kingdom which carries on life assurance business through any branch or agency in the United Kingdom—

(*a*) in computing for the purposes of Rule 3 of Case III of Schedule D the income from the investments of the life assurance fund of the company, any such interest, dividends or payments as are mentioned in subsection (1) of this section shall be included notwithstanding the exemption from tax referred to in that subsection; and

(*b*) where any interest on any securities issued by the Treasury is excluded in computing the said income by virtue of a condition of the issue thereof regulating the treatment of the interest thereon for income tax purposes, the relief to be granted under section thirty-three of the Income Tax Act, 1918, in respect of expenses of management shall be reduced so as to bear to the amount of relief which would be granted but for the provisions of this paragraph the same proportion as the amount of that income, excluding the said interest, bears to the amount of that income including that interest.

(4) The foregoing provisions of this section shall apply in relation to any computation for the purposes of tax for the year 1940–41 or any subsequent year of assessment, notwithstanding that the computation is required to be made by reference to any year or period other than the year of assessment and those provisions were not in force in that year or period or some part thereof.

(5) For the avoidance of doubt, it is hereby declared that where any income of any person is by virtue of any provisions of the Income Tax Acts, and in particular, but without prejudice to the generality of the foregoing words, by virtue of section eighteen of the Finance Act, 1936, (which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons abroad)

to be deemed to be income of any other person, that income is not exempt from income tax either—

(*a*) as being derived from a security issued by the Treasury with any such condition as is mentioned in the foregoing provisions of this section; or

(*b*) by virtue of Rule 2 of the General Rules applicable to Schedule C; or

(*c*) by virtue of the said Rule 2 as extended by any provision of the Income Tax Acts which expressly or impliedly extends the operation of the said Rule 2, by reason of the first-mentioned person not being resident, or not being ordinarily resident, or being neither domiciled nor ordinarily resident, in the United Kingdom.

22. The following proviso shall be inserted at the end of paragraph (2) of Rule 6 of the Rules applicable to Cases I and II of Schedule D (which provides that where machinery or plant used for the purposes of a trade is let to the person carrying on the trade on the terms of his being bound to maintain it and deliver it over in good condition at the end of the lease, the machinery or plant shall be deemed to belong to that person for the purposes of the said Rule 6):—

"Provided that this paragraph shall not apply to any machinery or plant unless the Commissioners having jurisdiction in the matter are satisfied, having regard to all the relevant circumstances of the case, that the burden of the wear and tear of the machinery or plant will in fact fall directly upon that person."

23.—(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 present war) shall apply in relation to tax for the year 1940–41 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 1940–41 and references to the year 1938–39 shall be construed as references to the year 1939–40.

(2) In paragraph (*a*) of subsection (3) of the said section eleven for the words "his income as assessed" there shall be substituted the words "his earned income as assessed."

(3) At the end of the said subsection (3) the following proviso shall be inserted:—

"Provided that, where the difference between the actual earned income of of the individual and four-fifths of his earned income as assessed exceeds the relief to which he would have been entitled under the said paragraph (*a*) if his actual income had been four-fifths of his earned income as assessed, the relief

from surtax to be given by virtue of this subsection shall be reduced by the amount of the excess."

(4) The amendments effected by subsections (2) and (3) of this section shall have effect both in relation to tax for the year 1939–40 and in relation to tax for the year 1940–41.

24.—(1) The provisions of this section shall have effect where, for any year of assessment, two or more individuals are, or would but for the provisions of this section be, entitled, under section twenty-one of the Finance Act, 1920, as amended by subsequent enactments, to relief in respect of the same child.

(2) The relief to be granted to each of the individuals shall be computed as if subsection (1) of the said section twenty-one had provided—

(*a*) that the aggregate of the deductions allowable thereunder in respect of any child should not exceed the amount specified in that subsection; and

(*b*) that that amount should be apportioned between the individuals in question in such proportion as they agree or, in default of agreement, in proportion to the amount or value of the provision made by them respectively (otherwise than by way of payments deductible in computing their respective total incomes for the purposes of the Income Tax Acts) for the child's maintenance and education for the year of assessment.

(3) Any apportionment under this section shall be made by such body of General Commissioners, being the General Commissioners for a division in which one of the individuals resides, as the Commissioners of Inland Revenue may direct, or, if none of the individuals resides in Great Britain, by the Special Commissioners.

(4) Where a claim for relief under the said section twenty-one is delivered to the surveyor, and it appears that if the claim is allowed an apportionment will be necessary under this section, the Commissioners of Inland Revenue may, if they think fit, direct that the claim itself shall be dealt with by any specified body of Commissioners which could under this section be directed to make the apportionment, and that the same Commissioners shall also make any apportionment which proves to be necessary; and where a direction is given under this subsection no other body of Commissioners shall have jurisdiction to determine the claim.

(5) The Commissioners making any apportionment under this section shall hear and determine the case in like manner as they hear and determine appeals against an assessment under Schedule D, and the enactments relating to such appeals shall apply accordingly with any necessary modifications, but any individual who is, or but for the provisions of this section would be, entitled to relief in respect of the child shall be entitled to appear and be heard by the Commissioners or to make represent-

ations to them in writing.

(6) An apportionment may be made under this section notwithstanding that relief in respect of the child in question has already been allowed to any individual, and if it appears as a result of the apportionment that the individual has been allowed too much relief, the amount of the excess may, if not otherwise made good, be assessed under Case VI of Schedule D and recovered from him accordingly.

25. The years of assessment for which a revaluation of properties in Great Britain for the purposes of income tax chargeable under Schedules A and B shall be made under section twenty-seven of the Finance Act, 1930, shall, instead of being the year 1941–42 and each fifth succeeding year of assessment, be such year subsequent to the year 1941–42 as Parliament may hereafter determine and each fifth year of assessment succeeding the year so determined, and references in the Income Tax Acts to a year of revaluation shall be construed accordingly.

Part III.

Excess Profits Tax and National Defence Contribution.

26.—(1) Section twelve of the Finance (No. 2) Act, 1939, (which charges excess profits tax) shall, in relation to an excess of profits arising in any chargeable accounting period beginning on or after the first day of April, nineteen hundred and forty, have effect as if, in subsection (1) thereof, for the words "equal to three-fifths of the excess" there were substituted the words "equal to the excess."

(2) Notwithstanding anything in subsection (2) of section fifteen of the said Act, a deficiency of profits occurring in a chargeable accounting period beginning on or after the first day of April, nineteen hundred and forty, shall first be applied so as to reduce profits chargeable to tax arising in another chargeable accounting period beginning on or after the said first day of April, and a deficiency of profits occurring in a chargeable accounting period ending on or before the last day of March, nineteen hundred and forty, shall first be applied so as to reduce profits chargeable to tax arising in another chargeable accounting period ending on or before the said last day of March; and where owing to an insufficiency of profits for chargeable accounting periods ending on or before the said last day of March, or, as the case may be, beginning on or after the said first day of April, the whole or any part of a deficiency is applied otherwise than as aforesaid—

(*a*) the application shall, either wholly or to such extent as the Commissionners think appropriate, be treated as provisional only; and

(*b*) if it thereafter appears that there is no longer such an insufficiency as aforesaid, such adjustments shall be made as the Commissioners may direct.

(3) Where a chargeable accounting period falls partly before and partly after the end of March, nineteen hundred and forty, the foregoing provisions of this section shall apply as if so much of that chargeable accounting period as falls before, and so much of that chargeable accounting period as falls after, the said end of March, were each a separate chargeable accounting period, and as if the profits or losses of that separate chargeable accounting period were an apportioned part of the profits or losses arising in the whole period.

Any apportionment required to be made by this subsection shall be made by reference to the number of months or fractions of months in each of the parts of the whole chargeable accounting period.

27.—(1) Subsection (7) of section thirteen of the Finance (No. 2) Act, 1939, is hereby repealed, and in lieu thereof the following provisions of this section shall have effect in the case of a trade or business commenced on or before the first day of July, nineteen hundred and thirty-six.

(2) If, in the case of a trade or business carried on by a body corporate, the Commissioners are satisfied, on the application of the person carrying on the trade or business—

(*a*) that there were no profits in the standard period; or

(*b*) that the profits of that period were so low that it would not be just to ascertain the standard profits of the trade or business by reference to the actual profits of the standard period,

they may direct that the standard profits for a full year shall be ascertained as if the profits of the standard period were of such amount or greater amount as they think just:

Provided that the said amount shall not exceed an amount equal to interest for the standard period—

(i) on the amount of the paid-up ordinary share capital, if any, of the body corporate, at six per cent., or, in the case of a company the directors whereof had a controlling interest therein, eight per cent., per annum; and

(ii) on the amount of any other paid-up share capital of the body corporate, at the fixed rate per annum payable in the case of dividends thereon.

If the person carrying on the trade or business is dissatisfied with any determination of the Commissioners under this subsection he may appeal to the Board of Referees.

(3) If on the application of the person carrying on the trade or business the

Board of Referees are satisfied that the condition specified in paragraph (*a*), or the condition specified in paragraph (*b*), of subsection (2) of this section is fulfilled, and also that the paid-up share capital of the body corporate in the standard period did not fully represent the net value of the assets employed in the trade or business in that period, they may direct that the standard profits for a full year shall be ascertained as if the profits of the standard period were of such amount as they think just:

Provided that the said amount shall not exceed an amount equal to interest for the standard period at six per cent., or, in the case of a company the directors whereof had a controlling interest therein, eight per cent., per annum on an amount ascertained as follows, that is to say—

(*a*) by computing the value of the assets employed in the trade or business immediately before the commencement of the standard period (valued as assets of a going concern), excluding any investments which would not be included in computing capital under the provisions applicable to the computation thereof for the purposes of excess profits tax, and deducting borrowed money and debts existing immediately before the commencement of the standard period except so far as, by virtue of paragraph 3 of Part II of the Seventh Schedule to the Finance (No. 2) Act, 1939, they would not be deductible in computing capital under the said provisions; and

(*b*) by adding thereto or subtracting therefrom, as the case may be, the amount by which the average amount of the capital employed in the trade or business in the standard period exceeds or falls short of the amount of the capital employed therein immediately before the commencement of that period.

(4) If, on an application made under the last preceding subsection, the Board of Referees are satisfied that the trade or business belongs to a class of industry which, during the years by reference to which the standard period could have been selected, was a depressed industry, the Board—

(*a*) may give a direction under that subsection notwithstanding that they are not satisfied that the paid-up share capital in the standard period did not fully represent the net value of the assets employed in the trade or business in that period; and

(*b*) shall not, as respects the amount to be specified in the direction, be bound by the limitation imposed by the proviso to that subsection.

(5) Notwithstanding anything in subsections (2) to (4) of this section, the amount which, by virtue of those subsections, is to be treated, in ascertaining the standard profits for a full year, as being the profits of the standard period shall not

exceed an amount equal to interest for the standard period at the rate of six per cent., or, in the case of a company the directors whereof had a controlling interest therein, eight per cent., per annum on the average amount of the capital employed in the trade or business in the standard period, computed in accordance with the provisions applicable to the computation of capital for the purposes of excess profits tax:

Provided that if, in the opinion of the Board of Referees, the amount of capital employed in the trade or business immediately before the commencement of the standard period, computed as aforesaid, was wholly or partly represented by assets the whole or any part of the value of which for the purposes of the trade or business had at that date been permanently lost, paragraph 1 of Part II of the Seventh Schedule to the Finance (No. 2) Act, 1939, shall, for the purposes of this subsection, have effect in relation to those assets as if their price or value as from that date were deemed to be reduced by so much of the value as was in the opinion of the Board so lost.

(6) The foregoing provisions of this section shall, with any necessary modifications, apply in relation to a trade or business carried on by any persons in partnership, or by a single individual, as they apply in relation to a trade or business carried on by a body corporate:

Provided that—

(*a*) for any reference to six per cent., or, in the case of a company the directors whereof had a controlling interest therein, eight per cent., there shall be substituted a reference to eight per cent.; and

(*b*) the net amounts standing to the credit of the capital accounts of the partners or, as the case may be, of the individual, during the standard period, after setting off any amounts standing to the debit of any of those accounts, shall be treated as paid-up ordinary share capital.

(7) An application under this section shall not be entertained unless notice thereof is given in writing to the inspector of taxes before the end of the year nineteen hundred and forty, unless, in the case of an application under subsection (2) of this section, the Commissioners, or, in the case of an application under subsection (3) of this section, the Board of Referees, allow a longer period.

(8) A determination on an application under subsection (2) or subsection (3) of this section—

(*a*) shall have effect with respect to all chargeable accounting periods;

(*b*) shall exclude any further application under the subsection under which the application was made.

28.—(1) Subsections (2) to (5) of section seventeen of the Finance (No. 2) Act,

1939, are hereby repealed and in lieu thereof the provisions of the Fifth Schedule to this Act shall have effect:

Provided that where, before the passing of this Act, any tax has been paid by any body corporate under any assessment made by virtue of the subsections repealed by this section in respect of any chargeable accounting period, the amount paid shall be deemed to have been paid on account of such tax as the Commissioners may direct, being tax charged or chargeable under any assessments made or to be made on that body corporate, by virtue of the provisions substituted for those subsections by this section, in respect of any chargeable accounting periods ending not later than the end of the said period, and no repayment thereof shall be made except in so far as the Commissioners are satisfied that the amount paid exceeds the amount payable in respect of those periods.

In this subsection and the said Schedule, the expression "a group of companies" means two or more bodies corporate of which—

(*a*) one (in this subsection and in that Schedule referred to as "the principal company") is resident in the United Kingdom and is not a subsidiary of any other body corporate resident in the United Kingdom; and

(*b*) the remainder (whether or not resident or carrying on business in the United Kingdom) are subsidiaries of the principal company,

and the expression "a subsidiary member" means any member of a group of companies other than the principal company.

(2) The following subsection shall be inserted after subsection (1) of the said section seventeen:

"(1A) Where—

(*a*) any debt is owing to any body corporate by another body corporate; and

(*b*) one of those bodies corporate is a subsidiary of the other, or both are subsidiaries of a third body corporate; and

(*c*) no interest is payable in respect of the debt, but the circumstances in which the debt came into existence or is allowed to continue to exist are such that the debt represents in substance capital employed in the trade or business of the debtor body corporate,

the capital of both bodies corporate shall be computed as if the debt did not exist."

(3) The provisions of subsection (6) of the said section seventeen (which defines the expression "subsidiary") shall have effect for the purposes of this section and the said Schedule as they have effect for the purposes and the said Schedule as they have effect for the purposes of the said section section seventeen:

Provided that a body corporate which, under the said subsection (6), is a subsidiary of two or more bodies corporate, each of which is resident in the United Kingdom and none of which is a subsidiary of any other body corporate resident in the United Kingdom, shall, for the purposes of subsection (1) of this section and of the said Schedule, be treated as a subsidiary of such one only of those bodies corporate as the Commissioners may direct.

29.—(1) Where a group of bodies corporate consists of or includes—

(*a*) a body corporate resident in the United Kingdom (hereinafter referred to as "the co-ordinating body corporate") which exists wholly or mainly for the purposes of co-ordinating the administration of the group; and

(*b*) one or more bodies corporate resident in the United Kingdom (hereinafter referred to as "the controlled bodies corporate") each of which is under the control of the co-ordinating body corporate,

paragraph 6 of Part I of the Seventh Schedule to the Finance (No. 2) Act, 1939, shall be taken to require, in all cases,—

(i) that in computing profits of the co-ordinating body corporate, income arising from investments held by that body corporate in share capital of the controlled bodies corporate in order to carry out, or facilitate the carrying out of, the purpose of co-ordinating the administration of the group shall not be taken into account; and

(ii) that in computing profits of any controlled body corporate, income arising from investments in the share capital of any of the other controlled bodies corporate or of the co-ordinating body corporate or of the co-ordinating body corporate shall not be taken into account; and

(iii) that any income from any other investments of the co-ordinating body corporate or any of the controlled bodies corporate shall not be taken into account in computing the profits of that body corporate, except in so far as, if the trades or businesses carried on by all the members of the group were regarded as one trade or business, that income would be included in computing the profits of that one trade or business by virtue of any of the provisions of the said paragraph 6.

(2) This section applies in relation to any group of bodies corporate whether or not it is or includes such a group of companies as is mentioned in subsection (1) of the last preceding section, but shall, in relation to the members of such a group, have effect subject to the provisions of paragraph 1 of Part IV of the Fifth Schedule to this Act.

30.—(1) His Majesty may by Order in Council declare that—

(*a*) under the law in force in any part of His Majesty's dominions outside the United Kingdom excess profits tax is payable in respect of any profits in respect of which excess profits tax is, or, if there were no national defence contribution, would be, payable also under the law in force in the United Kingdom; and

(*b*) arrangements have been made with the Government of that part of His Majesty's dominions providing for the giving of relief from double taxation in respect of such profits in accordance with the following principles—

(i) that there shall be computed the amount of excess profits tax which would be payable in each territory if excess profits tax in the other territory, and national defence contribution in the United Kingdom, were disregarded except in computing capital;

(ii) that such amount of relief from tax shall be given in each territory as bears to the lower of the two amounts so computed the same proportion as the amount so computed for that territory bears to the sum of the two amounts so computed; and

(iii) that where the amount so computed for either territory is found to have been incorrect (whether by reason of a subsequent deficiency of profits or for any other reason) the amount so computed shall be recalculated and the relief in both territories varied accordingly.

(2) Where any such Order in Council is made, then, if the Commissioners are satisfied that any case is one which falls within the arrangements to which the Order relates, they shall, in lieu of allowing, in computing profits for the purpese of excess profits tax or the national defence contribution, any deduction in respect of excess profits tax charged in the part of His Majesty's dominions outside the United Kingdom to which the Order relates, make such adjustment of the excess profits tax payable in the United Kingdom or the national defence contribution as may be necessary to give effect to the arrangements, and allow any necessary relief accordingly by repayment or otherwise, so, however, that the effect of the adjustment shall not be less favourable to the tax-payer than the effect of allowing the deductlon.

(3) Where under the provisions of subsection (2) of this section any adjustment of excess profits tax or national defence contribution is made for any period, a corresponding adjustment shall be made in computing for the purposes of section nineteen of the Finance (No. 2) Act, 1939, (which makes provision as to the relation between excess profits tax and the national defence contribution) both the excess profits tax chargeable for that period and the national defence contribution for that period.

(4) Where it appears to the Commissioners that, under the arrangements to

which any such Order as aforesaid relates, any relief provided for by the arrangements falls to be recalculated (whether by reason of a subsequent deficiency of profits or otherwise), the adjustments made under subsections (2) and (3) of this section shall be varied accordingly and any necessary further relief given by repayment or otherwise and, where the effect of the recalculation is to show that too much relief has been given, any necessary additional assessments shall be made.

(5) The obligation as to secrecy imposed by paragraph 6 of Part III of the Fifth Schedule to the Finance Act, 1937, and subsectipn (2) of section twenty-one of the Finance (No. 2) Act, 1939, shall not prevent any authorised officer of the Commissioners from disclosing, to any authorised officers of the Government with which arrangements are declared by an Order in Council under this section to have been made, such facts as may be necessary to enable effect to be given to the arrangements.

(6) This section shall apply in relation to—

(*a*) any British Protectorate or protected state; and

(*b*) any territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty, and is being exercised by His Majesty's Government in the United Kingdom or the Government of any Dominion,

as it applies to a part of His Majesty's dominions outside the United Kingdom.

31.—(1) For subsection (2) of section thirteen of the Finance (No. 2) Act, 1939, there shall be substituted the following subsection—

"(2) The minimum amount referred to in subsection (1) of this section is one thousand pounds, or, in the case of a trade or business carried on by a single individual, or by a partnership, or by a company the directors whereof have a controlling interest therein, such greater sum, not exceeding six thousand pounds, as is arrived at by allowing one thousand five hundred pounds for each working proprietor in the trade or business:

Provided that if, in the case of a trade or business carried on by a single individual, a partnership or such a company as aforesaid, the Commissioners, having regard to the nature of the business and the size of the business as shown by the value of the assets employed therein, are satisfied that the said greater sum is inadequate, they may, if they think fit, direct that there shall be allowed in respect of not more than four working proprietors such additional sum, not exceeding one thousand pounds for each individual working proprietor or four thousand pounds in the aggregate, as may be specified in the direction.

In this subsection—

(*a*) the expression 'working proprietor' means a proprietor who has, during more than one-half of the chargeable accounting period in question,

worked full time in the actual management or conduct of the trade or business;

(*b*) the expression 'proprietor' means, in the case of a trade or business carried on by a partnership, a partner therein, and, in the case of a company, any director thereof owning more than one-twentieth of the share capital of the company."

(2) The following paragraphs shall be substituted for paragraph (*b*) of subsection (9) of the said section thirteen (which defines the statutory percentage):—

"(*b*) in relation to a trade or business carried on by a partnership of which one or more of the partners is a body corporate which is not a company the directors whereof have a controlling interest therein, such a rate per cent. as is equivalent to—

(i) eight per cent. on so much of the average amount of the capital employed in the trade or business in the charageable accounting period as represents the share of any such body corporate; and

(ii) ten per cent. on the remainder of that amount;

(*c*) in relation to a trade or business to which neither of the foregoing paragraphs of this subsection applies, ten per cent."

32.—(1) In computing the profits of any trade or business for any accounting period, on deduction shall be allowed in respect of expenses in excess of the amount which the Commissioners consider reasonable and necessary, having regard to the requirements of the trade or business, and, in the case of directors' fees or other payments for services, to the actual services rendered by the person concerned.

(2) Any person who is dissatisfied with a decision of the Commissioners under this section may appeal to the Board of Referees.

33.—(1) Where a trade or business has been transferred by one person to another person, any buildings, plant or machinery provided for the purposes of the trade or business by the person transferring it which were transferred with the trade or business and continue to be used for those purposes after the transfer shall, for the purposes of paragraph 3 of Part I of the Seventh Schedule to the Finance (No, 2) Act, 1939 (which provides for an allowance for exceptional depreciation of certain assets) be deemed to have been provided for the purposes of the trade or business not only by the person transferring the trade or business but also by the person to whom the trade or business is transferred:

Provided that the amount of any allowance granted under the said paragraph 3 to the person to whom the trade or business is transferred shall, if necessary, be so reduced as to secure that the total allowances granted to the said persons in respect

of any buildings, plant or machinery affected by the transfer are not greater than the total allowances which would have been granted to the person making the transfer if the transfer had not taken place.

The provisions of this subsection shall apply in relation to the transfer of part of a trade or business as they apply in relation to the transfer of the whole of a trade or business.

(2) Where, in respect of any accounting period, a deduction would, apart from the provisions of this subsection, be allowable in computing profits, and, in the opinion of the Commissioners, the deduction does not represent a sum reasonably and properly attributable to that accounting period, only such part of the deduction shall be allowable as a deduction for that period as appears to the Commissioners to be reasonably and properly attributable to that period, and any balance of the deduction shall be treated as attributable to such other accounting period or periods (whether or not they include, or fall wholly or partly within, the standard period, if any, or any chargeable accounting period) as the Commissioners think proper.

Any person who is dissatisfied with a determination of the Commissioners under this subsection may appeal to the Board of Referees.

(3) In paragraph 6 of Part I of the said Seventh Schedule (which specifies the cases in which, and the extent to which, income from investments is to be included in computing profits) the following sub-paragraph shall be inserted after sub-paragraph (2)—

"(2A) In the case of a trade or business part of which consists in banking, assurance or dealing in investments, not being a business to which sub-paragraph (2) of this paragraph applies, the profits shall include all income received from investments held for the purposes of that part of the trade or business, being income to which the persons carrying on the trade or business are beneficially entitled,"

and in sub-paragraph (1) of the said paragraph 6 for the words "to the extent provided in sub-paragraph (2) of this paragraph" there shall be substituted the words "to the extent provided in sub-paragraphs (2) and (2A) of this paragraph."

(4) At the end of the said paragraph 6 the following words shall be inserted:—

"(4) The reference in sub-paragraphs (2) and (2A) of this paragraph to income received from investments shall not, in cases where the persons carrying on the trade or business are neither domiciled nor ordinarily resident in the United Kingdom, include any interest received from tax-free Treasury securities unless the conditions of the issue of the securities so provide; and where any interest on tax-free Treasury securities is, in accordance with the provisions of this sub-

paragraph, left out of account in computing the profits of the trade or business, any expenses attributable to the acquisition or holding of, or to any transaction in, the securities and any profits or losses so attributable (but not, save as provided by sub-paragraph (3) of this paragraph, the interest on any money borrowed for the purposes of acquiring the securities) shall also be left out of account in computing the profits of the trade or business.

In this sub-paragraph the expression "tax-free Treasury securities" means any securities issued by the Treasury under the power conferred by section forty-seven of the Finance (No. 2) Act, 1915, or under the power conferred by section twenty-two of the Finance (No. 2) Act, 1931.

Any reference in this Schedule to income which is by virtue of the provisions of this paragraph not to be taken into account in computing the profits of a trade or business shall be construed as including a reference to interest left out of account in accordance with this sub-paragraph."

(5) The following paragraph shall be substituted for paragraph 10 of Part I of the said Seventh Schedule (which relates to deductions for directors' remuneration in the case of companies controlled by the directors):—

"10.—(1) In the case of a trade or business carried on, in any accounting period which constitutes or includes a chargeable accounting period, by a company the directors whereof have, throughout that accounting period, a controlling interest therein,—

(*a*) in computing the profits for that accounting period; and

(*b*) if the standard profits of the trade or business are computed by reference to the profits of a standard period, also in computing, in relation to any such chargeable accounting period, the profits for the standard period,

no deduction shall be made in respect of directors' remuneration.

In this sub-paragraph the expression "directors' remuneration" does not include the remuneration of any director who is required to devote substantially the whole of his time to the service of the company in a managerial or technical capacity, and is not the beneficial owner of, or able, either directly or through the medium of other companies or by any other indirect means, to control, more than five per cent. of the ordinary share capital of the company.

(2) If, in the case of a trade or business carried on by a company in any accounting period which constitutes or includes a chargeable accounting period, the directors of the company—

(*a*) have, in any part of that accounting period; or

(*b*) had during the whole or any part of any previous accounting period which includes the whole or any part of any chargeable accounting period or the whole or any part of the standard period (if any),

a controlling interest therein, and the case is not one to which sub-paragraph (1) of this paragraph applies, then, except in so far as the Commissioners otherwise direct, no deduction shall be made in respect of directors' remuneration either in computing the profits for the first-mentioned accounting period or in computing, in relation to any chargeable accounting period wholly or partly included in that accounting period, the profits of the standard period (if any)."

(6) Paragraph 13 of Part I of the said Seventh Schedule (which allows a deduction for sinking fund purposes in the case of a trade or business carried on by a local authority) shall apply in relation to any trade or business carried on by a public authority in the case of which the following conditions are fulfilled—

(*a*) that it has no share capital; and

(*b*) that the interest on all its stock and other loan capital is interest at a fixed rate,

as it applies in relation to a local authority:

Provided that nothing in this subsection shall be construed as authorising any deduction for an amount required to be raised for sinking fund purposes unless the requirement is imposed on the authority by or by virtue of an Act of Parliament.

34.—(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 any trade or business, any computation of capital of 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 ths Seventh Schedule to the Finance (No. 2) Act, 1939 (which specifies the deductions to be made in computing the capital value of 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."

(4) At the end of sub-paragraph (1) of paragraph 2 of Part II of the said 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 the 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."

35. Any reference in the Seventh Schedule to the Finance (No. 2) Act, 1939, or in the provisions of this or any other Act which relate to the computation of capital or profits for the purposes of excess profits tax, to a deduction which has been allowed, is allowable or authorised, or can be made, under any provision of the Income Tax Acts or in computing profits for the purposes of income tax, or to any additional percentage allowable under any provision of the Income Tax Acts, shall be construed, in relation to profits arising from a trade or business which are not chargeable to income tax under Case I of Schedule D, as a reference to a deduction which would have been so allowed, allowable or authorised, or could have been so made, or to an additional percentage which would have been so allowable, if those profits had been chargeable to income tax under the said Case I.

36. All the provisions of the Finance (No. 2) Act, 1939, and of this or any other

Act which relate to the computation of profits for the purposes of excess profits tax shall apply also to the computation of losses for those purposes, and references in any such provisions to the computation of profits shall be construed accordingly; and subsection (3) of section fourteen of the Finance (No. 2) Act, 1939 (which provides that losses shall be computed for the purposes of Part III of that Act in the same manner as under that section profits are to be computed for those purposes) is hereby repealed.

37.—(1) Subsection (2) of section fifteen of the Finance (No. 2) Act, 1939 (which provides that the profits chargeable with excess profits tax arising from a trade or business shall be deemed to be reduced where a deficiency of profits occurs in any chargeable accounting period of a trade or business) shall not apply to a deficiency of profits in so far as it occurs while the trade or business was being carried on neither in the United Kingdom nor by a person ordinarily resident in the United Kingdom.

(2) The provisions of Part II of the Fifth Schedule to the Finance Act, 1937 (which as applied by the Finance (No. 2) Act, 1939, relate to appeals against assessments to excess profits tax) including the provisions thereof enabling the Commissioners to make regulations, shall, with the necessary modifications, apply in relation to any determination by the Commissioners as to the giving of relief from excess profits tax for any chargeable accounting period on the ground that a deficiency of profits has occurred in any chargeable accounting period as they apply in relation to assessments to excess profits tax.

38.—(1) The provisions of section sixteen of the Finance (No. 2) Act, 1939 (which relate to successions and amalgamations) shall have effect subject to the following provisions of this section.

(2) Any consideration which, under subsection (3) or subsection (4) of the said section sixteen, has to be disregarded in computing capital shall also be disregarded in considering, for the purpose of computing the profits of, and the capital employed in, any chargeable accounting period, whether any and if so what deductions are to be made in respect of wear and tear and replacement of plant and machinery, and whether any and if so what allowance is to be made in respect of depreciation.

(3) In subsection (6) of the said section sixteen for the words "where a trade or business was carried on immediately before the first day of July, nineteen hundred and thirty-six, and that trade or business, or the main part of that trade or business, was transferred after the said day and before the first day of April, nineteen hundred and thirty-nine, by the person carrying it on to another person" there shall be substituted the following words—

"where—

(*a*) a trade or business which was commenced before the first day of

January, nineteen hundred and thirty-five, or the main part of such a trade or business, was transferred on or after that date and before the first day of April, nineteen hundred and thirty-nine, by the person carrying it on to another person; or

(*b*) a trade or business which was commenced on or after the said first day of January but before the second day of July, nineteen hundred and thirty-six, or the main part of such a trade or business, was transferred before the said first day of April by the person carrying it on to another person."

(4) Where—

(*a*) a trade or business is, by virtue of subsection (2) or subsection (3) of the said section sixteen, deemed not to have been discontinued; or

(*b*) a trade or business is, by virtue of subsection (4) of the said section sixteen, to be treated as if it had been in existence throughout the period during which there was in existence any other trade or business; or

(*c*) a trade or business is, by virtue of subsection (5) of the said section sixteen, to be treated as a continuation of another trade or business; or

(*d*) any person who is carrying on a trade or business after a transfer is treated by virtue of subsection (6) of the said section sixteen as having carried on the trade or business as from a date before the transfer,

the enactments relating to the computation of profits and capital for the purposes of excess profits tax shall, both as respects the standard period and any chargeable accounting period, have effect subject to such modifications, if any, as the Commissioners may think just, and the Commissioners may make such alterations in the periods which would otherwise be the chargeable accounting periods of the trade or business as they think proper:

Provided that if the Commissioners make any such modifications and the person carrying on the trade or business is dissatisfied with the modifications so made, he may appeal to the Board of Referees.

(5) In subsection (5) of the said section sixteen the words "subject to any necessary modifications," and in subsection (6) thereof the words "subject, however, to such modifications (including modifications as respects the computation of capital) as may be just" and the words "or if the applicant is dissatisfied with any modifications made by the Commissioners," are hereby repealed.

39.—(1) In subsection (1) of section nineteen of the Finance (No. 2) Act, 1939 (which contains provisions as to the relation of excess profits tax to the national defence contribution) for the words "The said total excess profits tax shall be computed

as if there were no national defence contribution and the said total national defence contribution shall be computed as if there were no excess profits tax" there shall be substituted the words "In computing the said total excess profits tax the national defence contribution shall be disregarded except in computing capital, and in computing the said total national defence contribution excess profits tax shall be altogether disregarded."

(2) In subsection (3) of the said section nineteen for the the words "if this Part of this Act had not been passed" there shall be substituted the words "if the provisions of this Part of this Act, except the provisions of section twenty thereof (which abolishes armament profits duty), had not been passed."

(3) In the proviso to subsection (4) of the said section nineteen for the words "Provided that where a chargeable accounting period as so defined falls partly before and partly after the said date, this section shall have effect as if so much of the chargeable accounting period as falls before the said date were a separate chargeable accounting period as so defined" there shall be substituted the words "Provided that where part only of a chargeable accounting period as so defined falls before the said date, this section shall have effect as if that part were a separate chargeable accounting period as so defined."

(4) Where—

(*a*) part only of a chargeable accounting period (as defined for the purposes of the national defence contribution) falls after the end of March, nineteen hundred and thirty-nine; and

(*b*) the amount of the national defence contribution for the period, computed without regard to excess profits tax, is increased or reduced by the operation of any of the provisions of this Act,

then, in determining for the purposes of the said section nineteen what proportion of the said amount is to be included in the total national defence contribution for any chargeable accounting periods to which that section applies,—

(i) the amount of the increase or reduction shall not be apportioned under subsection (5) of the said section nineteen; but

(ii) there shall be attributed to that part of the said period which falls after the end of March, nineteen hundred and thirty-nine, the amount of national defence contribution which would have been attributed thereto under the said subsection (5) if the increase or reduction had not occurred, together with the whole amount of the increase or reduction.

(5) The provisions of the Sixth Schedule to this Act shall have effect for the purpose of facilitating the assessment and collection of the amounts due to the Crown

for excess profits tax or the national defence contribution in respect of any period with resect to which both excess profits tax and the national defence contribution are in operation.

40.—(1) In paragraph 7 of the Fourth Schedule to the Finance Act, 1937 (which specifies the cases in which, and the extent to which, income from investments and other property is to be included in computing profits for the purposes of the national defence contribution), the following sub-paragraph shall be inserted after sub-paragraph (*a*)—

"(*aa*) in the case of a trade or business part of which consists in banking, assurance or dealing in investments or other property, not being a business to which sub-paragraph (*a*) of this paragraph applies, the profits shall include all income received from investments or other property held for the purposes of that part of that trade or business, except—

(i) income received directly or indirectly by way of divident or distribution of profits from a body corporate carrying on a trade or business to which the said section applies; and

(ii) income to which the persons carrying on the trade or business are not beneficially entitled;"

and in sub-paragraph (*b*) of that parapraph, for the words "in the case of any other trade or business, being a trade or business carried on by a body corporate" there shall be substituted the words "in the case of any trade or business, being a trade or business carried on by a body corporate and not being a business to which sub-paragraph (*a*) of this paragraph applies."

(2) At the end of the said paragragh 7 the following sub-paragraph shall be inserted:—

"(2) The references in this paragraph to income received from investments shall not, in cases where the persons carring on the trade or business are neither domiciled nor ordinarily resident in the United Kingdom, include any interest received from tax-free Treasury securities unless the conditions of the issue of the securities so provide; and where any interest on tax-free Treasury securities is, in accordance with the provisions of this sub-paragraph, left out of account in computing the profits of the trade or business, any interest on money borrowed for the purpose of acquiring the securities, any other expenses attributable to the acquisition or holding of, or to any transaction, in the securities, and any profits or losses so attributable, shall also be left out of account in computing the profits of the trade or business.

In this paragraph, the expression "tax-free Treasury securities" means any

securities issued by the Treasury under the power conferred by section forty-seven of the Finance (No. 2) Act, 1915, or the power conferred by section twenty-two of the Finance (No. 2) Act, 1931."

41. In this Part of this Act and in any other enactment relating to excess profits tax the expression "ordinary share capital" has the meaning assigned to it by subsection (3) of section forty-two of the Finance Act, 1938; and in paragraph (*c*) of section twenty-two of the Finance (No. 2) Act, 1939, the words "and, except in the provisions of this Part of this Act relating to subsidiary companies, the expression 'ordinary share capital'" are hereby repealed.

42. The amendments effected by the provisions of this Part of this Act shall, as respects excess profits tax, have effect with respect to tax for all chargeable accounting periods, whether before or after the passing of this Act, and, as respects the national defence contribution, have effect with respect to all accounting periods beginning on or after the first day of April, nineteen hundred and thirty-nine, and so much of any accounting period beginning before that date as falls on or after that date.

PART IV.

ESTATE DUTY.

General.

43.—(1) Subject to the provisions of this section, where an interest limited to cease on a death has been disposed of or has determined, whether by surrender, assurance, divesting, forfeiture or in any other manner (except by the expiration of a fixed period at the expiration of which the interest was limited to cease), whether wholly or partly, and whether for value or not, after becoming an interest in possession,—

(*a*) if apart from the disposition or determination the property in which the interest subsisted would have passed on the death under section one of the Finance Act, 1894, that property shall be deemed by virtue of this section to be included as to the whole thereof in the property passing on the death; or

(b) if apart from the disposition or determination the property in which the interest subsisted would have been deemed by virtue of paragraph (*b*) of subsection (1) of section two of the said Act to be included to a particular extent in the property passing on the death, the property in which the interest subsisted shall be deemed by virtue of this section to be included to that extent in the property passing on the death.

(2) Where the relevant disposition or determination was bona fide effected or

suffered three years before the death (or if it was effected or suffered for public or charitable purposes, one year before the death), the preceding subsection shall not have effect—

(*a*) if bona fide possession and enjoyment of the property in which the interest subsisted was assumed immediately thereafter by the person becoming entitled by virtue of or upon the disposition or determination and thence-forward retained to the entire exclusion of the person who had the interest and of any benefit to him by contract or otherwise; or

(*b*) in the case of a partial determination, if the conditions specified in the preceding paragraph were not satisfied by reason only of the retention or enjoyment by the deceased of possession of some part of the property, or of some benefit, by virtue of the provisions of the instrument under which he had the interest:

Provided that nothing in this subsection shall be construed as affecting any charge of estate duty arising otherwise than by virtue of the provisions of the preceding subsection.

(3) In the application of subsection (1) of this section to a case in which an incumbrance on the property in which the interest in question subsisted has been created by associated operations which included a disposition of that interest, references to that property shall be construed as references to that property free from the incumbrance, except in a case in which the incumbrance was created for consideration in money or money's worth which was applied for purposes calculated to maintain or increase the value of that property, and, in that case, shall be construed as references to that property subject to the incumbrance to the extent to which the consideration was so applied.

(4) In subsection (3) of section fifty-nine of the Finance (1909–10) Act, 1910 (which relates to a subsequent surrender of a benefit reserved), for the words "property taken under such a disposition or affected by such a surrender, assurance, divesting, or disposition as aforesaid" there shall be substituted the words property taken under such a disposition as aforesaid "or affected by such a disposition or determination as is mentioned in section forty-three of the Finance Act, 1940", for the words "the disposition, surrender, assurance, or divesting" there shall be substituted the words "the disposition or determination", and at the end of the subsection there shall be inserted the words "or the said section forty-three".

(5) This section shall not apply to any such surrender, assurance, divesting or disposition, as is mentioned in proviso (*c*) to section fourteen of the Finance Act, 1914,

so as to make any estate duty payable which would not have been payable but for the provisions of that section.

(6) This section shall have effect only in relation to a person dying after the commencement of this Act, and section eleven of the Finance Act, 1900, and sections thirty-five and thirty-nine of the Finance Act, 1930, shall not have effect in relation to such a person.

(7) This section shall *inter alia* apply in Scotland to the conveyance or discharge of any life rent, and to the propulsion of the fee under any tailzied destination, and for the purposes of this section the interest of an institute or heir of entail in Scotland shall be deemed to be an interest limited to cease on a death.

44.—(1) Where a person dying after the commencement of this Act has made a disposition of property in favour of a relative of his, the creation or disposition in favour of the deceased of an annuity or other interest limited to cease on the death of the deceased or of any other person shall not be treated for the purposes of section three, or of subsection (1) of section seven, of the Finance Act, 1894, as consideration for the disposition made by the deceased.

(2) In this section the expression "relative" means, in relation to the deceased,—

(*a*) the wife or husbaud of the deceased;

(*b*) the father, mother, children, uncles and aunts, of the deceased; and

(*c*) any issue of any person falling within either of the preceding paragraphs and the other party to a marriage with any such person or issue;

and references to "children" and "issue" include references to illegitimate children and to adopted children.

(3) In this section the expression "annuity" includes any series of payments, whether inter-connected or not, whether of the same or of varying amounts, and whether payable at regular intervals or otherwise, and payments of dividends or interest on shares in or debentures of a company shall be treated for the purposes of this section as a series of payments constituting an annuity limited to cease on a death if the payments are liable to cease on the death, or the amounts thereof are liable to be reduced on the death, by reason directly or indirectly of the extinguishment or any alteration of rights attaching to, or of the issue of, any shares in or debentures of a company.

(4) If the deceased has made in favour of a company to which this section applies a disposition which, if it has been made in favour of a relative of his, would have fallen within subsection (1) of this section, this section shall have effect in like manner as if the disposition had been made in favour of relative of his, unless it is

shown to the satisfaction of the Commissioners that no relative of the deceased was, at the time of the disposition or subsequently during the life of the deceased, a member of the company.

For the purposes of this subsection a person who is, or is deemed by virtue of this provision to be, a member of a company to which this section applies and which is a member of another such company shall be deemed to be a member of that other company.

(5) Where there have been associated operations effected with reference to the receiving by the deceased of any payment in respect of such an annuity or other interest as is mentioned in subsection (1) of this section, or effected with a view to enabling him to receive or to facilitating the receipt by him of any such payment, this section shall have effect in relation to each of those associated operations as it has effect in relation to the creation or disposition in favour of the deceased of such an annuity or other interest.

45.—(1) The creation by a person or with his consent of a debt or other right enforceable against him personally or against property of which he was or might become competent to dispose, or to charge or burden for his own benefit, shall be deemed for the purposes of the enactments relating to estate duty, including this Part of this Act, to have been a disposition made by that person, and in relation to such a disposition the expression "property" in the said enactments shall include the debt or right created.

(2) The extinguishment at the expense of the deceased of a debt or other right shall be deemed for the purposes of the said enactments to have been a disposition made by the deceased in favour of the person for whose benefit the debt or right was extinguished, and in relation to such a disposition the expression "property" in the said enactments shall include the benefit conferred by the extinguishment of the debt or right.

(3) The proviso to section four of the Finance Act, 1894 (which excepts from aggregation property in which the deceased never had an interest) shall not have effect in relation to property passing on the death of the deceased which consists of a debt or right or benefit that is treated as property by virtue of this section.

Estate duty in respect of deceased's benefits from certain companies.

46.—(1) Where a person dying after the commencement of this Act has made to a company to which this section applies a transfer of any property (other than an interest limited to cease on his death or property which he transferred in a fiduciary capacity), and any befits accruing to the deceased from the company accrued to him

in the three years ending with his death, the assets of the company shall be deemed for the purposes of estate duty to be included in the property passing on his death to an extent determined, in accordance with subsection (2) of this section, by reference to the proportion that the aggregate amount of the benefits accruing to the deceased from the company bore to the net income of the company.

(2) The proportion aforesaid shall be ascertained for each accounting year that fell wholly or partly within the three years ending with the death, by comparing the aggregate amount of the benefits accruing to the deceased from the company which accrued to him in that year with the net income of the company for that year, and the extent to which the assets of the company are to be deemed to be included in the property passing on the death shall be the average of the proportions so ascertained:

Provided that, if the company came into existence in the last but one, or in the last, of the accounting years aforesaid, the extent to which the assets of the company are to be deemed to be included as aforesaid shall be the average of the proportions ascertained under this subsection for the last two of those years, or shall be the proportion so ascertained for the last of those years, as the case may require.

(3) The assets of the company which are deemed to be included in the property passing on the death of the deceased by virtue of this section shall include any assets thereof which have been disposed of or distributed by the company at any time between the beginning of the first of the accounting years aforesaid and the death of the deceased, either—

(*a*) in or towards satisfaction of rights attaching to shares in or debentures of the company, or

(*b*) otherwise howsoever except as follows, that is to say, by way of sale for full consideration in money or money's worth received by the company for its own use and benefit, or in or towards discharge of taxes or rates or other liability imposed by or under an enactment, or in or towards discharge of a fine or penalty or of a liability for tort incurred without collusion with the injured party,

including assets which have been so disposed of or distributed in a winding up, whether continuing at or completed before the death:

Provided that this subsection shall not apply to assets disposed of or distributed by way of payments from which income tax was deductible, or which were assessable to income tax, of amounts not exceeding in the aggregate, as respects payments made in any accounting year or in the period between the end of the last accounting year

and the death of the deceased, the amount of the income of the company for that year or period.

(4) This section shall have effect subject to and in accordance with the succeeding provisions of this Part of this Act, and the provisions contained in the Seventh Schedule to this Act shall have effect for the purpose of supplementing and interpreting this section and the succeeding provisions of this Part of this Act.

(5) Sections thirty-four, thirty-six, and thirty-eight, of the Finance Act, 1930, shall not have effect in relation to a person dying after the commencement of this Act.

47.—(1) The following shall be treated as benefits accruing to the deceased from the company, that is to say—

(*a*) any income of the company, and any periodical payment out of the resources or at the expense of the company, which the deceased received for his own benefit whether directly or indirectly, and any enjoyment in specie of land or other property of the company or of a right thereover which the deceased had for his own benefit whether directly or indirectly;

(*b*) any such income or payment or enjoyment which the deceased was entitled to receive or have as aforesaid; and

(*c*) any such income or payment or enjoyment which the deceased could have become entitled to receive or have as aforesaid by an exercise in the three years ending with his death of any power exercisable by him or with his consent;

and where the deceased could, by an exercise in the said three years of any such power as aforesaid, have become entitled to receive as aforesaid any payment out of the resources or at the expense of the company not being a periodical payment, but did not in fact receive or become entitled to receive that payment, there shall be treated as a benefit accruing to the deceased from the company interest on that payment at the average rate from the earliest date on which he could have become entitled to receive it.

(2) In this Part of this Act the expression "periodical payment" means a payment by way of dividend or interest, a payment by way of remuneration not being a single lump sum payment, and any other payment being one of a series of payments, whether inter-connected or not, whether of the same or of varying amounts, and whether payable at regular intervals or otherwise.

(3) Tbe amounts to be taken into account for the purposes of subscetion (2) of section forty-six of this Act in respect of benefits accruing to the deceased from the company, and the time at which such a benefit is to be treated for the purposes of

that section as having accrued to him, shall be determined in accordance with the provisions of paragraphs 1 and 2 respectively of the Seventh Schedule to this Act.

48.—(1) Subject to the provisions of subsection (3) of this section, if the deceased has made, whether for value or not, a surrender of his title to receive any such income or payment or enjoyment as is mentioned in the last preceding section, or of any such power as is therein mentioned, the last preceding section shall have effect as if the surrender had not been made.

(2) The deceased shall be deemed to have made such a surrender as aforesaid if a right which he had to receive any such income or payment or enjoyment as aforesaid, or if any such power as aforesaid, has been extinguished or suspended by the effect solely or partly of any disposition made by him or with his consent of shares in or debentures of a company or of any other property or right, or of the exercise or the leaving unexercised by him or with his consent of any power or right, or of the extinguishment or suspension by him or with his consent of any power or right, otherwise than in a fiduciary capacity, or if apart from such a disposition or other act or omission he would have become entitled to receive any such income or payment or enjoyment as aforesaid but by the effect solely or partly thereof he did not become entitled to receive it.

(3) This section shall not apply to a surrender made bona fide before the beginning of the three years ending with the death of the deceased (or, if it was made for public or charitable purposes, before the beginning of the year ending with his death) if the deceased was at all times during those three years, or during that year, as the case may be, entirely excluded from receiving, or being entitled to receive, or having any capacity by an exercise of any power exercisable by him or with his consent to receive, any periodical payment by virtue of the surrender or of any associated operations of which the surrender was one.

49. The income of the company for any accounting year, or for the period between the end of the last accounting year and the death of the deceased, shall be determined by computing the amount of the income of the company from each source in accordance with the provisions of the Income Tax Acts relating to the computation of income from such a source (subject to the modification that the computation shall be made by reference to the actual income for that year or period, and not by reference to the income for any other period), and the net income of the company for any accounting year shall be determined by deducting from the income of the company for that year the aggregate of the amounts of—

(*a*) the liabilities of the company for that year in respect of any kind of payment from which incom tax is deductible, or which is assessable to income

tax, but excluding liabilities in respect of any dividend on shares of or interest on debentures in the company and liabilities incurred otherwise than for the purposes of the business of the company wholly and exclusively;

(*b*) any income of the company for that year of a kind in respect of which repayment of income tax can be claimed under section thirty-three of the Income Tax Act, 1918, or otherwise; and

(*c*) any deduction or set off that could have been claimed for income tax purposes if the computation of the income of the company had been made by reference to the assessable income for that year and not to the actual income:

Provided that there shall be excluded from the computation of the income of the company any income thereof which was neither bona fide earned in the ordinary course of business nor the produce of incomeyielding assets held by it.

50.—(1) In determining the value of the estate for the purpose of estate duty the provisions of subsection (1) of section seven of the Finance Act, 1894, as to making allowance for debts and incumbrances shall not have effect as respects any debt or incumbrance to which assets of the company passing on the death by virtue of section forty-six of this Act were liable, but the Commissioners shall make an allowance from the principal value of those assets for all liabilities of the company (computed, as regards liabilities which have not matured at the date of the death, by reference to the value thereof at that date, and, as regards contingent liabilities, by reference to such estimation as appears to the Commissioners to be reasonable) other than—

(*a*) liabilities in respect of shares in or debentures of the company; and

(*b*) liabilities incurred otherwise than for the purposes of the business of the company wholly and exclusively.

(2) In estimating the principal value of the said assets the Commissioners shall fix the price thereof on the basis of a sale of the business of the company as a going concern.

(3) Where the said assets include any distributed assets, if partial consideration (other than the extinguishment, or an alteration, of rights attaching to shares in or debentures of a company to which section forty-six of this Act applies) was given for the distribution in money or money's worth received by the company for its own use and benefit, a further allowance shall be made, in addition to the allowances specified in subsection (1) of this section, of an amount equal to the value of the consideration given.

(4) For the purpose of the estimation of the principal value of any distributed assets subsection (5) of section seven of the Finance Act, 1894, and subsection (2) of

section sixty of the Finance (1909–10) Act, 1910, shall have effect with the substitution for the reference therein to the time of the death of the deceased of a reference to the time of the distribution, and effect shall be given to the proviso to the said subsection (2) which relates to depreciation by reason of the death of the deceased) as at the time of the distribution only, due regard being had to the expectation of life of the deceased at that time.

51.—(1) If it is shown to the satisfaction of the Commissioners that—

(*a*) the value of all such property as is mentioned in subsection (1) of section forty-six of this Act, of which the deceased made a transfer to the company, together with an amount equal to any excess of interest at the average rate on the value thereof from the date or respective dates of transfer to the death of the deceased over the aggregate amount of the benefits received by the deceased by virtue of the transfer, is less than—

(*b*) the value on which estate duty would be chargeable on the death under the said section if all benefits accruing to him from the company other than the benefits received by him by virtue of tfie transfer were disregarded,

an amont equal to the deficiency shall be deducted from the proportion of the value of the company's assets that corresponds to the benefits received by him by virtue of the transfer.

References in this subsection to benefits received by the deceased by virtue of a transfer shall be construed as references to benefits accruing to him from the company which he received or had as consideration for the transfer, or in consequence of his having received as censideration therefor shares or debentures or other property which produced any of those benefits.

(2) Where any benefits accrued to the deceased from the company by virtue of any interest that he at any time had in shares in or debentures of the company, or by virtue of a power's having at any time been exercisable by him or with his consent in relation to shares in or debentures of the company, and apart from this subsection estate duty would be payable on the death both on the value of those shares or debentures by virtue of any of the enactments relating to that duty other than section forty-six of this Act and on the proportion of the value of the company's assets that corresponds to the benefits that so accrued to him by virtue of that section,—

(*a*) if the value of the shares or debentures is equal to or greater than the said proportion, or if the Commissioners are satisfied that the said value and the said proportion would not if fully ascertained be found to be substantially different, the duty on the value of the shares or debentures shall be payable, and the duty on the said proportion shall not be payable;

(*b*) in any other case the duty on the said proportion shall be payable, and the duty on the value of the shares or debentures shall not be payable, so however that it shall, for the purposes of the said other enactments, be deemed to have been paid by virtue of the payment of the duty on the said proportion.

(3) References in this section to the proportion of the value of the company's assets that corresponds to any particular benefits shall be construed as references to so much of the value on which estate duty is chargeable on the death by virtue of section forty-six of this Act as is chargeable by reason of the bringing of those benefits into the computation made under subsection (2) of that section.

(4) So much of any income or periodical payment or enjoyment of a kind mentioned in section forty-seven of this Act as is shown to the satisfaction of the Commissioners to have represented, or to have been such that it would if received have represented, reasonable remuneration to the deceased for any services rendered by him as the holder of an office under the company shall, notwithstanding anything in that section, not be treated for the purposes of this Part of this Act as a benefit accruing to the deceased from the company; and any liability of the company in respect of the remuneration of any person as the holder of an office under the company shall be treated for the purposes of this Part of this Act as incurred for the purposes of the business of the company wholly and exclusively to the extent to which it is shown to the satisfaction of the Commissioners that the amount thereof was reasonable, and to that extent only.

52. For the purposes of section four of the Finance Act, 1894, the deceased shall be deemed to have had an interest in the property deemed by virtue of section forty-six of this Act to be included in the property passing on his death.

53.—(1) The company shall be under obligation to inform the Commissioners, within one month from the date of the death of the deceased, of the death, of the fact that the deceased made a transfer of property to the company, and of the fact that benefits accrued to the deceased from the company, and every person who was an officer of the company at that date, or, if the company has been wound up and dissolved before that date, who was an officer of the company at any time, shall be under the like obligation as respects such of the facts aforesaid as are within his knowledge, unless he knows, or has reasonable cause for believing, that the information in question has already been given to the Commissioners by the company or some other person.

(2) If the company or any such person as aforesaid who is under obligation by virtue of the preceding subsection to give any information to the Commissioners makes

default in the performance of that obligation, the defaulter shall be liable to a penalty not exceeding five hundred pounds.

54.—(1) The following persons shall be accountable for the duty payable on the death of the deceased by virtue of section forty-six of this Act, that is to say:—

(*a*) the company;

(*b*) any person (other than a bona fide purchaser for full consideration in money or money's worth received by the company for its own use and benefit) who receives, whether directly from the company or otherwise, or disposes of, any assets which the company had, whether as capital or as income, at the death or at any time thereafter;

(*c*) any person who received any distributed assets of the company on their distribution:

Provided that a person shall not,—

(i) by virtue of paragraph (*b*) of this subsection, be accountable in respect of any assets for any duty in excess of the value of those assets, or

(ii) by virtue of paragraph (*c*) of this subsection, be accountable in respect of any assets for more than a part of the duty bearing to the whole thereof the same proportion that the value of the distribution of those assets bears to the principal value of the assets of the company passing on the death by virtue of section forty-six of this Act after making the allowances to be made under section fifty of this Act.

For the purposes of this subsection the expressions "distributed assets" and "assets of the company passing on the death" do not include any distributed assets of the company which the deceased received on their distribution; and a person who, having received any distributed assets of the company, has died before the deceased shall be deemed to have been a person accountable by virtue of paragraph (*c*) of this subsection.

(2) Where a company incorporated outside the United Kingdom is accountable for any duty by virtue of the preceding subsection or of this subsection, every person who is a member of that company at the death shall also be accountable for a rateable part of that duty in proportion to the value of his interest in that company.

(3) A person accountable for any duty by virtue of this section shall, for the purpose of raising and paying the duty, have all the powers conferred on accountable parties by Part I of the Finance Act, 1894.

(4) On a winding up of the company subsection (1) of section two hundred and sixty-four of the Companies Act, 1929 (which determines what debts shall have priority over other debts in a winding up) shall have effect as if there were included in para-

graph (*a*) of that subsection a reference to any duty payable in respect of assets of the company passing on a death by virtue of section forty-six of this Act, and section seventy-eight of the Companies Act, 1929, shall have effect accordingly.

(5) The duty payable on the death of the deceased by virtue of section forty-six of this Act shall be a first charge by way of floating security on the assets which the company had at the death or has at any time thereafter, and any part of the duty for which by virtue of paragraph (*c*) of subsection (1) of this section any person is accountable in respect of any distributed assets shall be a first charge also on those assets:

Provided that nothing in this subsection shall operate to make any property chargeable as against a bona fide purchaser thereof for valuable consideration without notice.

(6) Where any dutp has been—

(*a*) paid by a person accountable therefor by virtue only of paragraph (*c*) of subsection (1) of this section; or

(*b*) raised by virtue of subsection (5) of this section out of any distributed assets charged therewith;

that person or, as the case may be, the person who was entitled to those assets subject to the charge, may (without prejudice to any right of contribution or indemnity which he may have apart from this subsection) recover the amount of the duty so paid or raised as aforesaid from any person who is accountable therefor otherwise than by virtue of the said paragraph (*c*).

(7) No part of the duty paid by the company shall be recoverable by it from any person on the ground only that he is entitled to any interest in, or to any sum charged on, the assets which the company had at the death of the deceased.

(8) The following provisions of the Finance Act, 1894, shall not have effect in relation to the duty payable by virtue of section forty-six of this Act, that is to say—

(*a*) so much of subsection (2) of section six as relates to payment of estate duty on personal property of which the deceased was competent to dispose at his death; and

(*b*) so much of subsection (3) of section eight as relates to the accountability of the executor of the deceased in respect of personal property of which the deceased was competent to dispose at his death, and subsection (4) of that section;

and subsection (1) of section nine of the said Act shall have effect in relation to the estate as if the property passing by virtue of section forty-six of this Act had been property passing to the executor as such.

(9) Subsection (5) of this section in its application to Scotland shall have effect as if the provisions thereof relating to a charge by way of floating security on the assets of the company were omitted.

General provisions as to certain companies.

55.—(1) Where for the purposes of estate duty there pass, on the death of a person dying after the commencement of this Act, shares in or debentures of a company to which this section applies, then if—

(*a*) the deceased had the control of the company at any time during the three years ending with his death; or

(*b*) dividends which were declared by the company for any period falling wholly or partly within those three years, or which, not having been declared for any particular period, were declared at a time within those three years, together with any amounts which accrued due during any period falling wholly or partly within those three years for interest on debentures of the company, are, as to amounts forming in the aggregate more than one-half of the total amount of such dividends and interest, to be treated by virtue of any of the provisions of sections forty-seven and forty-eight of this Act as benefits accruing to the deceased from the company, or would have fallen to be so treated if the deceased had made a transfer of property to the company; or

(*c*) the deceased had at any time during those three years a beneficial interest in possession in shares in or debentures of the company, or in both, of an aggregate nominal amount representing one-half or more of the aggregate nominal amount of the shares in and debentures of the company then issued and outstanding, and no one other person had at that time the control of the company;

the principal value of the shares or debentures, in lieu of being estimated in accordance with the provisions of subsection (5) of section seven of the Finance Act, 1894, shall be estimated by reference to the net value of the assets of the company in accordance with the provisions of the next succeeding subsection.

(2) For the purposes of such ascertainment as aforesaid—

(*a*) the net value of the assets of the company shall be taken to be the principal value thereof estimated in accordance with the said subsection (5), less the like allowance for liabilities of the company as is provided by subsection (1) of section fifty of this Act in relation to the assets of a company passing on a death by virtue of section forty-six of this Act, but subject to the modification that allowance shall be made for such a liability as is mentioned in paragraph (*b*) of that subsection unless it also falls within paragraph (*a*) thereof;

(*b*) the aggregate value of all the shares and debentures of the company issued and outstanding at the death of the deceased shall be taken to be the same as the net value of the assets of the company;

(*c*) in a case in which there are both shares in and debentures of the company issued and outstanding at the death, or different classes of either, the net value of the assets of the company shall be apportioned between them with due regard to the rights attaching thereto respectively; and

(*d*) the value of any share, or of any debenture, or of a share or debenture of any class, shall be a rateable proportion, ascertained by reference to nominal amount, of the net value of the assets of the company as determined under paragraph (*a*) of this subsection, or, in the case mentioned in paragraph (*c*) of this subsection, of the part thereof apportioned under that paragraph to the shares of the company, or to its debentures, or to that class thereof, as the case may be.

(3) For the purposes of this section a person shall be deemed to have had control of a company at any time if he then had—

(*a*) the control of powers of voting on all questions, or on any particular question, affecting the company as a whole which if exercised would have yielded a majority of the votes capable of being exercised thereon; or

(*b*) the capacity to exercise, or to control the exercise of any of the following powers, that is to say, the powers of a board of directors or of a governing director of the company, power to nominate a majority of directors or a governing director thereof, power to veto the appointment of a director thereof, or powers of a like nature;

or if he could have obtained such control or capacity by an exercise at that time of a power exercisable by him or with his consent.

(4) This section shall not apply to the valuation of shares or debentures of a class as to which permission to deal has been granted by the committee of a recognised stock exchange in the United Kingdom and dealings in the ordinary course of business on that stock exchange have been recorded during the year ending with the death of the deceased, and, in making an apportionment under paragraph (*c*) of subsection (2) of this section in the case of a company having shares or debentures of such a class, the part of the value of the assets of the company to be apportioned to shares or debentures of that class shall be determined by reference to the prices recorded on such dealings.

(5) Control of a company which a person had in a fiduciary capacity shall be disregarded for the purposes of this section.

(6) In this section references to the assets of a company shall be construed as references to the assets that it had at the death of the deceased.

(7) Section thirty-seven of the Finance Act, 1930, shall not have effect in relation to a person dying after the commencement of this Act.

56.—(1) For the purposes of section three of the Finance Act, 1894 (which relates to exceptions for transactions for money consideration), if a company to which this section applies was concerned in a transaction in relation to which it is claimed that the provisions of that section have effect, or in any one or more of associated operations of which that transaction formed one, those provisions shall have effect in relation thereto if and only if, and to the extent only to which, the Commissioners are satisfied that those provisions would have had effect in the following circumstances, namely, if the assets of the company had been held by it on trust for the members thereof and any other person to whom it is under any liability incurred otherwise than for the purposes of the business of the company wholly and exclusively, in accordance with the rights attaching to the shares in and debentures of the company and the terms on which any such liability was incurred, and if the company had acted in the capacity of a trustee only with power to carry on the business of the company and to employ the assets of the company therein.

(2) Where a company to which this section applies was concerned in the disposition or determination of an interest limited to cease on a death effected or suffered as mentioned in subsection (2) of section forty-three of this Act, or in a surrender made as mentioned in subsection (3) of section forty-eight of this Act, or was concerned in any one or more of associated operations of which the disposition or determination or surrender formed one, the conditions as to the entire exclusion of the person who had the interest or of the deceased, and of any benefit to him, specified in the said subsection (2) or in the said subsection (3) as the case may be, shall be treated as having been satisfied if and only if they would have been so treated in the circumstances aforesaid.

57.—(1) The provisions of subsection (5) of section eight of the Finance Act, 1894 (which relate to the delivery of particulars relating to property forming part of an estate in respect of which estate duty is leviable on a death) shall, on a death on which it appears to the Commissioners that section forty-six or fifty-five of this Act has effect, apply to the company, and to any other company to which the said section forty-six or fifty five, as the case may be, applies, and to every person who is or was at any time an officer or auditor of that company or of any such other company, as those provisions apply to a person who has administered any part of the estate.

(2) Subsection (6) of section eight of the Finance Act, 1894 (which relates to

the penalty for a failure to comply with any of the provisions of subsection (5) of that section) shall have effect as respects a failure to comply with any of the said provisions as applied by the preceding subsection with the substitution of five hundred pounds for one hundred pounds.

(3) An order may be made against any person who fails to comply with any of the provisions of subsection (5) of section eight of the Finance Act, 1894, as applied by subsection (1) of this section requiring him to comply with those provisions, in like manner as an order to deliver an account may be made against any person who is accountable for succession duty or legacy duty, and the provisions of section fifty-five of the Crown Suits, &c. Act, 1865, and in Scotland the provisions of section forty-seven of the Succession Duty Act, 1853, shall apply accordingly subject to the necessary modifications.

Interpretation and definitions.

58.—(1) The companies to which sections forty-four, forty-six, fifty-five and fifty-six of this Act respectively apply are any company which, at any relevant time, was, or would on the assumptions hereinafter mentioned have been, deemed for the purposes of subsection (6) of section twenty-one of the Finance Act, 1922, to be under the control of not more than five persons, and for the purposes of this subsection—

(*a*) the expression "relevant time" means any time during the period ending with the death of the deceased and beginning, as respects the said section fifty-five, three years before his death, and, as respects each of the others of the said sections of this Act, at the date of the disposition transfer or other transaction or event relevant for the purposes of that section, or, if that disposition transfer or other transaction or event was one of associated operations, at the date of the earliest of those operations; and

(*b*) the assumptions hereinbefore mentioned are—

(i) that subsection (3) of section nineteen of the Finance Act, 1936, had, with any necessary adaptations, applied in relation to companies incorporated outside the United Kingdom as it applies in relation to companies other than companies within the meaning of the Companies Act, 1929, or any corresponding enactment in force in Northern Ireland, and

(ii) that, subject as aforesaid, the provisions of section twenty-one of the Finance Act, 1922, and of any other Act relating to the said section twenty-one, as those provisions were in force immediately before the passing of this Act, had always been in force and so in force and had remained so in force until the date of the death.

(2) A person shall be deemed for the purposes of this Part of this Act to have made a transfer of property to a company if the property came to be included in the resources of the company by the effect of a disposition made by him or with his consent or of any associated operations of which such a disposition formed one.

(3) A person shall be deemed to have received or had any payment, income, enjoyment, assets, or interest, the receipt or having whereof by him is relevant for the purposes of this Part of this Act, if any of the following conditions have been satisfied in relation thereto, that is to say,—

(*a*) if the relevant payment or other matter has been applied in any manner for the benefit of that person, or has been dealt with by that or any other person in any manner calculated to cause it to inure for the benefit of that person at any time, whether in the form of income or not, or if any property which was or would be available for the purpose by reason of the effect or successive effects of any one or more of associated operations relating to the relevant payment or other matter has been so applied or dealt with;

(*b*) if any advantages received or to be received at any time by that person have been provided out of that payment or other matter, or out of any such property as aforesaid;

(*c*) if that person became able in any manner to control the application of the relevant payment or other matter, or of any such property as aforesaid, otherwise than in a fiduciary capacity;

(*d*) if the relevant payment or other matter, or any such property as aforesaid, has been applied in any manner so as to increase the value to that person of any property in which he was beneficially interested; or

(*e*) as respects such income as is mentioned in subsection (1) of section forty-seven of this Act, if the receipt by, or accrual to, the company of that income operated in any manner so as to increase the value to that person of any property in which that person was beneficially interested, so however that the amount of the income which that person is to be treated as having received by virtue of this paragraph shall be limited to the amount of the increase in value of the property in question:

and references in this Part of this Act to the deceased's receiving or having, or being or becoming entitled to receive or have, any such payment or other matter as aforesaid shall be construed accordingly.

(4) References in this Part of this Act to a disposition's being made by any person, to a power's being exercised or exercisable by any person, or to any other act's being done by any person, include references to its being made, or being exercised

or exercisable, or being done, by him and another jointly or by another at his direction or by a company of which he had control within the meaning of subsection (3) of section fifty-five of this Act, whether with or without the consent of any other person; references importing an omission on the part of any person in relation to any such matter as aforesaid shall be construed in like manner; and references in relation to any such matter as aforesaid to its being made, or being exercised or exercisable, or being done or omitted, with the consent of any person include references to its being made, or being exercised or exercisable, or being done or omitted, at his request or with or subject to his acquiescence.

(5) References in this Part of this Act to a person having any power or control or doing any act in a fiduciary capacity shall be construed as references to his having that power or control or doing that act in a fiduciary capacity imposed on him otherwise than by a disposition made by him and in such a capacity only.

(6) References in the enactments relating to estate duty (including this Part of this Act) to an interest's being limited to cease on a death shall be construed as including reference to its being subject to a limitation, in whatsoever form, having the effect of providing in the alternative for its cesser on the death or on the occurrence of some event, or the expiration of some period, before the death.

59. In this Part of this Act, unless the context otherwise requires, the following expressions have the meanings hereby assigned to them respectively, that is to say—

"Accounting year" has the meaning assigned to it by paragraph 6 of the Seventh Schedule to this Act;

"Assets" includes goodwill;

"Associated operations" means any two or more operations of any kind being,—

(*a*) operations which affect the same property, or one of which affects some property and the other or others of which affect property which represents, whether directly or indirectly, that property, or income arising from that property, or any property representing accumulations of any such income; or

(*b*) any two operations of which one is effected with reference to the other, or with a view to enabling it to be effected or to facilitating its being effected, and any third operation having a like relation to either of those two, and any fourth operation having a like relation to any of those three, and so on;

whether those operations are effected by the same person or by different persons,

whether they are connected otherwise than as aforesaid or not, and whether they are contemporaneous or any of them precedes or follows any other;

"Average rate" means, in relation to a company, the rate per annum which, when expressed as a percentage in pounds, equals the average of the proportions respectively ascertained by comparing the net income of the company for each of the relevant accounting years with the principal value of the assets of the company passing on the death of the deceased by virtue of section forty-six of this Act after making the allowances to be made under section fifty of this Act;

"Company" includes any body corporate, wheresoever incorporated;

"Debenture" means, in relation to a company, any obligation of the company in respect of any loan capital issued by the company otherwise than as consideration for a loan made to it in the ordinary course of a banking business, or in respect of any debt incurred by the company—

(*a*) for any money borrowed by the company, otherwise than by way of temporary loan made in the ordinary course of a banking business;

(*b*) for any transfer of capital assets made to the company by any person, unless the obligation is one resulting from a dealing with a person who transferred such assets to the company in, and on terms consistent with, the ordinary course of a business carried on by him;

(*c*) without consideration, or for consideration the value of which to the company at the time when the debt was incurred was substantially less than the value at that time of the debt (including any premium thereon); or

(*d*) where the debt was of such a nature that it would, in the ordinary course of business and apart from some special arrangement, have carried interest, if the debt did not carry interest or carried interest at a rate which was either unreasonably high or unreasonably low;

"Disposition" includes any trust, convenant, agreement or arrangement, whether made by a single operation or by associated operations, and also, in relation to shares in or debentures of a company, the extinguishment or any alteration of rights attaching thereto, whether effected by a single operation or by associated operations;

"Distributed assets" means, in relation to a company, assets of the company to which subsection (3) of section forty-six of this Act applies which were disposed of or distributed by the company as mentioned in that subsection, and "value of the distribution" means, in relation to any distributed assets, the value thereof or, if partial consideration (other than the extinguishment, or an alteration, of rights attaching to shares in or debentures of a company to which that

section applies) was given for the distribution in money or money's worth received by the company for its own use and benefit, the value thereof less the value of the consideration given;

"Dividend" includes a bonus which would be treated as income for the purposes of the Income Tax Acts;

"Member" means, in relation to a company, a holder in his own right of any share in or debenture of the company, and a person interested in any share in or debenture of the company held, whether by himself or another, otherwise than in the holder's own right;

"Officer" means, in relation to a company, any person who exercises the functions of a director, manager, secretary or liquidator of the company;

"Payment" includes a transfer of property and a set-off or release of an obligation, and references to the amount of a payment include, in relation to property transferred or to an obligation set-off or released, references to the value thereof;

"Periodical payment" has the meaning assigned to it by subsection (2) of section forty-seven of this Act;

"Power" includes any right or power exercisable by virtue of the holding of shares in or debentures of a company, and any right or power to procure an issue of shares in or debentures of a company; and

"Tort" in relation to Scotland means delict or quasi delict.

PART V.

MISCELLANEOUS.

60.—(1) The power of the Treasury under section twenty-two of the Finance (No. 2) Act, 1931, to issue securities with the condition as to exemption from taxation specified in that section shall extend to the issuing of securities with that condition so modified, whether as to the extent of the exemption or the cases in which the exemption is to operate, as the Treasury may specify in the terms of the issue.

(2) For the purposes of subsections (2) and (3) of section forty-six of the Income Tax Act, 1918 (which relates to securities issued free of tax), any securities issued by the Treasury under the said section twenty-two, as extended by the provisions of subsection (1) of this section, shall, save in so far as the terms of the issue otherwise provide, be deemed to be such securities as are mentioned in subsection (1) of the said section forty-six.

61.—(1) The permanent annual charge for the National Debt for the financial

year ending with the thirty-first day of March, nineteen hundred and forty-one, shall be the sum of two hundred and thirty million pounds instead of the sum of three hundred and fifty-five million pounds.

(2) The Treasury may at any time, if they think fit, raise money in any manner in which they are authorised to raise money under the National Loans Act, 1939, for providing any sums required during the said financial year for the purposes mentioned in paragraph (*a*) or paragraph (*b*) of subsection (4) of section twenty-three of the Finance Act, 1928, and the amount required by the said subsection (4) to be issued from the permanent annual charge for the National Debt for the purposes aforesaid in that year shall be decreased by the amount raised under this subsection.

(3) Any securities created and issued to raise money under the last preceding subsection shall be deemed for all purposes to have been created and issued under the National Loans Act, 1939.

62. No issue shall be made out of the Consolidated Fund under section forty-eight of the Finance Act, 1930 (which provides in the case of a deficit in any year for the redemption in the next year of a corresponding amount of debt), in respect of the deficit for the financial year ending with the thirty-first day of March, nineteen hundred and forty.

63.—(1) The following enactments, that is to say—

(*a*) section thirty-eight of the Finance Act, 1933 (which directs the preparation of a statement with a view to the ascertainment of the Post Office net surplus for each financial year);

(*b*) so much of section thirty-nine of that Act and of section thirty-one of the Finance Act, 1936, as authorises or directs the making of payments into or out of the Post Office Fund by reason of any actual or anticipated excess or deficiency of the Post Office net surplus for any financial year as compared with the fixed contribution to the Exchequer; and

(*c*) subsection (8) of the said section thirty-nine (which directs the preparation of accounts of the receipts of, and issues out of, the Post Office Fund in each financial year),

shall not have effect in relation to any financial year to which this section applies.

(2) This section applies to the financial year ending with the thirty-first day of March, nineteen hundred and forty-one, and every subsequent financial year until Parliament otherwise determines.

64.—(1) Subsection (1) of section thirty-eight of the Finance Act, 1924, (which relates to relief in respect of death duties payable on the deaths of members of His Majesty's Forces who die from wounds inflicted while on active service or from any

of the other causes therein mentioned) shall have effect in relation to masters and members of the crews of ships and fishing boats, and pilots, dying (whether before or after the commencement of this Act) from causes arising during the period of the present emergency out of the operations of war, as it has effect in relation to members of His Majesty's Forces dying from such wounds or other causes as are therein mentioned, with this qualification, that the Treasury shall act on the recommendation of the Minister of Shipping instead of that of the Secretary of State or the Admiralty.

(2) In the case of deaths from such causes as are mentioned in the said section thirty-eight arising during the period of the present emergency of persons to whom that section applies, and of deaths from such causes as are mentioned in the preceding subsection arising during that period of persons to whom that subsection applies, where the Commissioners of Inland Revenue are satisfied that estate duty has become chargeable on any property passing on such a death and that subsequently estate duty has again become chargeable on the same property or any part thereof on another such death, being the death of a person to whom that property or that part thereof passed on the earlier death, the whole of the death duties payable on the later death on that property or that part thereof shall be remitted or, if paid, shall be repaid, and that property or that part thereof shall not be aggregated with any other property passing on the later death for the purpose of determining the rate of estate duty.

(3) In this section the expression "pilot" has the meaning assigned to it by section seven hundred and forty-two of the Merchant Shipping Act, 1894, and "the period of the present emergency" means the period beginning on the third day of September, nineteen hundred and thirty-nine and ending on such date as may be declared by His Majesty under the Courts (Emergency Powers) Act, 1939, to be the date on which the emergency that was the occasion of the passing of that Act came to an end.

65.—(1) This Act may be cited as the Finance Act, 1940.

(2) Part I of this Act—

(*a*) so far as it relates to duties of customs shall be construed as one with the Customs Consolidation Act, 1876, except that the expression "the United Kingdom" shall not include the Isle of Man; and

(*b*) so far as it relates to duties of excise shall be construed as one with the Acts which relate to the duties of excise and to the management of those duties;

and in the said Part I, the expression "the Commissioners" means the Commissioners of Customs and Excise.

(3) Part II of this Act shall be construed as one with the Income Tax Acts.

(4) Part III of this Act shall, so far as it relates to excess profits tax or the relation of excess profits tax to the national defence contribution, be construed as one with Part III of the Finance (No. 2) Act, 1939.

(5) Part IV of this Act shall be construed as one with Part I of the Finance Act, 1894.

(5) Any reference in this Act to any other enactment shall, unless the contrary is expressly provided or the context otherwise requires, be construed as a reference to that enactment as amended by any subsequent enactment, including this Act.

(7) Such of the provisions of this Act as relate to matters with respect to which the Parliament of Northern Ireland has power to make laws shall not extend to Northern Ireland.

(8) The enactments set out in the Eighth Schedule to this Act are hereby repealed to the extent mentioned in the third column of that Schedule.

SCHEDULES.

FIRST SCHEDULE.

BEER (RATES OF DUTY AND DRAWBACK).

PART I.

RATE OF EXCISE DUTY.

	£	s.	d.
For every 36 gallons of worts of a specific gravity of 1,027 degrees or less	3	5	0
For every 36 gallons of worts of a specific gravity exceeding 1,027 degrees—			
For the first 1,027 degrees...	3	5	0
For every additional degree in excess of 1,027 degrees	0	2	6

and so in proportion for any less number of gallons.

PART II.

RATE OF EXCISE DRAWBACK

	£	s.	d.
For every 36 gallons of beer of an original gravity of 1,027 degrees or less...	3	5	2
For every 36 gallons of beer of an original gravity exceeding 1,027 degrees—			
For the first 1,027 degrees...	3	5	2
For every additional degrees in excess of 1,027 degress	0	2	6

and so in proportion for any less number of gallons.

As respects beer of an original gravity of less than 1,027 degrees, the amount of drawback allowable shall not exceed by more than twopence for every 36 gallons the amount of duty which is shown to the satisfaction of the Commissioners to have been paid.

Part III.

Rate of Customs Duty in case of Beer being an Empire Product.

	£	s.	d.
For every 36 gallons, where the worts thereof were, before fermentation, of a specific gravity of 1,027 degrees or less	3	5	5
For every 36 gallons, where the worts thereof were, before fermentation, of a specific gravity exceeding 1,027 degrees—			
For the first 1,027 degrees...	3	5	5
For every additional degree in excess of 1,027 degrees	0	2	6

and so in proportion for any less number of gallons.

Part IV.

Rate of Customs Duty in case of Beer not being an Empire Product.

	£	s.	d.
For every 36 gallons, where the worts thereof were, before fermentation, of a specific gravity of 1,027 degrees or less	4	5	5
For every 36 gallons, where the worts thereof were, before fermentation, of a specific gravity exceeding 1,027 degrees—			
For the first 1,027 degrees...	4	5	5
For every additional degree in excess of 1,027 degrees	0	2	6

and so in proportion for any less number of gallons.

Part V.

Rate of Customs Drawback in case of Beer being an Empire Product.

	£	s.	d.
For every 36 gallons of an original gravity of 1,027 degrees or less...	3	5	2
For every 36 gallons of an original gravity exceeding 1,027 degrees—			
For the first 1,027 degrees...	3	5	2
For every additional degree in excess of 1,027 degrees	0	2	6

and so in proportion for any less number of gallons.

As respects beer of an original gravity of less than 1,027 degrees, the amount of drawback allowable shall not exceed the amount of duty which is shown to the satisfaction of the Commissioners to have been paid, less threepence for every 36 gallons.

Part VI.

Rate of Customs Drawback in case of Beer not being an Empire Product.

	£	s.	d.
For every 36 gallons of an original gravity of 1,027 degrees or less...	4	5	2
For every 36 gallons of an original gravity exceeding 1,027 degrees—			
For the first 1,027 degrees...	4	5	2
For every additional degree in excess of 1,027 degrees	0	2	6

and so in proportion for any less number of gallons.

As respects beer of an original gravity of less than 1,027 degrees, the amount of drawback allowable shall not exceed the amount of duty which is shown to the satisfaction of the Commissioners to have been paid, less threepence for every 36 gallons.

SECOND SCHEDULE.

Spirits (Rates of Ordinary Customs Duty).

1	2		3	
Description of Spirits.	Preferential Rates.		Full Rates.	
	In cask.	In bottle.	In cask.	In bottle.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
For every gallon computed at proof of—				
Brandy or rum	4 17 10	4 18 10	5 0 4	5 1 4
Imitation rum or geneva	4 17 11	4 18 11	5 0 5	5 1 5
Unsweetened spirits other than those already enumerated	4 17 11	4 17 11	5 0 5	5 0 5
For every gallon of perfumed spirits ...	7 16 0	7 17 0	8 0 0	8 1 0
For every gallon of liqueurs, cordials, mixtures and other preparations in bottle entered in such manner as to indicate that the strength is not to be tested	—	6 12 10	—	6 16 2
For every gallon computed at proof of spirits of any description not heretofore mentioned, including naphtha and methylic alcohol purified so as to be potable, and mixtures and preparations containing spirits	4 17 11	4 18 11	5 0 5	5 1 5

THIRD SCHEDULE.

TOBACCO (RATES OF DUTY AND DRAWBACK).

PART I.

CUSTOMS DUTIES.

Description of Tobacco.	Rate of duty per pound. £	s.	d.
Tobacco unmanufactured—			
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof—			
unstripped	0	17	6
stripped	0	17	6½
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof—			
unstripped	0	18	6
stripped	0	18	6½
Tobacco manufactured, viz.:—			
Cigars	1	6	1
Cigarettes	1	2	7
Cavendish or Negrohead	1	1	9
Cavendish or Negrohead manufactured in bond	1	0	0
Other manufactured tobacco	1	0	0
Snuff—			
containing more than 13 lbs. of moisture in every 100 lbs. weight thereof	0	19	4
containg not more than 13 lbs. of moisture in every 100 lbs. weight thereof	1	1	9

and so in proportion for any less quantity.

PART II.

EXCISE DUTIES.

Description of Tobacco.	Rate of duty per pound. s.	d.
Tobacco unmanufactured—		
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof	15	3½
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof	16	0½
Tobacco manufactured, viz.:—		
Cavendish or Negrohead manufactured in bond	17	4½

and so in proportion for any less quantity.

PART III.

DRAWBACK

Description of Tobacco.	Rate per pound. In respect of tobacco on which full customs duty has been paid. s.	d.	In respect of tobacco on which customs duty at a preferential rate or exercise duty has been paid. s.	d.
Cigars	18	9	16	7
Cigarettes	18	6	16	4
Cut, roll, cake or other manufactured tobacco	18	3	16	1½
Snuff (not being offal snuff)	18	0	15	11
Stalks, shorts, or other refuse of tobacco, including offal snuff	17	9	15	8

FOURTH SCHEDULE.

MATCHES (RATES OF DUTY).

PART I.

RATES OF CUSTOMS DUTIES.

	£	s.	d.
For every 1,000 containers in which there are not more than 10 matches	0	12	9
For every 1,000 containers in which there are more than 10 matches, but not more than 30 matches...	1	18	3
For every 144 containers in which there are more than 30 matches, but not more than 50 matches...	0	9	0
For every 144 containers in which there are more than 50 matches:—			
For the first 50 matches	0	9	0
For every additional 5 matches or part of 5 matches in excess of 50 matches	0	0	11

and so in proportion for any less number of containers.

Part II.

Rates of Excise Duties.

	£	s.	d.
For every 1,000 containers in which there are not more than 10 matches	0	12	0
For every 1,000 containers in which there are more than 10 matches, but not more than 30 matches	1	16	0
For every 144 containers in which there are more than 30 matches, but not more than 50 matches	0	8	4
For every 144 containers in which there are more than 50 matches :—			
For the first 50 matches	0	8	4
For every additional 5 matches or part of 5 matches in excess of 50 matches	0	0	10

and so in proportion for any less number of containers.

FIFTH SCHEDULE.

Provisions as to Excess Profits Tax and National Defence Contribution in the case of interconnected companies.

Part I.

Assessment of excess profits tax.

1.—(1) If, for any period after the end of March, nineteen hundred and thirty-nine, a body corporate is a member of a group of companies, assessments shall be made in respect of its excess profits for all chargeable accounting periods during that period in accordance with the provisions of this Schedule.

(2) Such assessments shall be made in respect of any trade or business carried on by a subsidiary member of a group of companies whether or not the trade or business is carried on in the United Kingdom and whether or not the subsidiary member is ordinarily resident in the United Kingdom.

2. Every assessment to excess profits tax made in respect of the trade or business of a body corporate which, in the chargeable accounting period for which the assessment is made, is a member of a group of companies, shall be made on the then principal company of the group, but the tax shall, in the case of an assessment in respect of the trade or business of a subsidiary member, be recoverable from the principal company and the subsidiary member jointly and severally :

Provided that if the Commissioners think fit and the principal company does not object, one assessment for any particular period may be made on the principal

company in respect of the trades or businesses of all or any of the members of the group, but the amount of tax, and the incidence of the burden of tax, shall not be affected, and the Commissioners may, if they think fit, discharge any such assessment, and make separate assessments in lieu thereof.

3. Paragraph 1 of Part III of the Fifth Schedule to the Finance Act, 1937 (which, as applied to excess profits tax by subsection (2) of section twenty-one of the Finance (No. 2) Act, 1939, provides for the making, by the person who carries on or has carried on any trade or business, of returns for the purposes of excess profits tax of profits and other particulars of the trade or business) shall, as so applied, have effect in relation to any trade or business carried on by a subsidiary member of a group of companies as if the references in that paragraph to the person who carries on or has carried on the trade or business included references to the principal company, and shall so have effect whether or not the subsidiary member carries on business in the United Kingdom or is ordinarily resident therein.

Part II.

The group standard period and the group standard profits.

1.—(1) This Part of this Schedule shall have effect with respect to any group of companies existing in any period after the end of March, nineteen hundred and thirty-nine.

(2) For the purposes of this Part of this Schedule a group of companies shall be deemed to be the same group so long as the same body corporate is the principal company thereof.

(3) The matters required by the subsequent provisions of this Part of this Schedule to be ascertained in relation to a group of companies, and the powers conferred on the principal company of a group of companies, shall, save as hereinafter provided, be ascertained and exercised once and for all in relation to each period after the end of March, nineteen hundred and thirty-nine, during which the composition of the group remains uncharged, or is changed only by the loss or addition of a new subsidiary, and any such period is in the subsequent provisions of this Part of this Schedule referred to as a "relevant period".

2.—(1) If the trade or business of any of the members of the group was being carried on on or before the first day of July, nineteen hundred and thirty-six, the principal company shall select a period to be the standard period of the group.

(2) The said period shall be selected in accordance with the provisions of subsections (4) to (6) of section thirteen of the Finance (No. 2) Act, 1939, subject, however, to the following modifications—

(*a*) the references to the person carrying on the trade or business shall be construed as references to the principal company; and

(*b*) the trade or business of the principal company shall be deemed to have been commenced at the earliest date on which any of the trades or businesses carried on by any of the members of the group was commenced.

3.—(1) If the group is one to which the last preceding paragraph applies, there shall be ascertained the standard profits of the group in accordance with the provisions of this paragraph:

Provided that the standard profits of the group need not be ascertained in relation to any relevant period if an election under the next succeeding paragraph has effect with respect to the whole of that period.

(2) The standard profits of the group shall, where the standard period of the group is one year, be an amount arrived at by aggregating the profits and losses arising in the standard period of the group in the trades and businesses of all the members of the group, other than new subsidiaries, and shall, where the standard period of the group is two years, be half the amount arrived at as aforesaid:

Provided that the second section of Part III of this Act shall, with the adaptations and modifications specified in the next succeeding sub-paragraph, have effect in relation to the ascertainment of the standard profits of the group as it has effect in relation to the ascertainment of the standard profits of the trade or business of a body corporate which is not a member of any group of companies.

(3) The said adaptations and modifications are as follows, that is to say—

(*a*) references to the person carrying on the trade or business shall be construed as references to the principal company;

(*b*) references to the paid-up share capital of the person carrying on the trade or business shall be construed as references to the paid-up share capital of the principal company together with so much as the Commissioners or the Board of Referees, as the case may be, think just of such part of the paid-up share capital of the other members of the group, not being new subsidiaries, as appears to them to have been, in the standard period, owned neither directly nor indirectly by the principal company;

(*c*) other references to the trade or business shall be construed as references to all the trades or businesses of all the members of the group, other than new subsidiaries;

(*d*) references to the standard period shall be construed as references to the standard period of the group;

(*e*) references to the standard profits for a full year shall be construed as references to the standard profits of the group;

(*f*) references to the provisions applicable to the computation of capital for the purposes of excess profits tax shall be construed as references to those provisions as applicable to a member of a group of companies;

(*g*) in arriving at the sum to be ascertained under paragraph (*a*) of the proviso to subsection (3) of the said second section, an additional deduction shall be made equal to the aggregate amount of the deductions which would, under sub-paragraph (2) of paragraph 3 of Part IV of this Schedule, fall to be made in computing the amount of the capital employed, immediately before the commencement of the standard period of the group, in the trades or businesses of the subsidiary members thereof, not being new subsidiaries;

(*h*) references to a chargeable accounting period shall be construed as references to a relevant period; but

(*i*) notwithstanding anything in subsection (8) of the said section, on the termination of a relevant period—

(i) the Commissioners may, either on the application of the principal company or of their own motion, vary, as respects subsequent relevant periods, any determination in force under subsection (2) of the said section with respect to that period, whether given originally or on appeal, if it appears to them that the circumstances have materially changed, and any decision of the Commisioners so to vary or not so to vary a determination shall be subject to an appeal by the principal company to the Board of Referees; and

(ii) the Board of Referees may, either on the application of the Commissioners or on that of the principal company, vary, as respects subsequent relevant periods, any determination under subsection (3) or subsection (4) of the said section, if it appears to them that the circumstances have materially changed.

(4) The references in this paragraph to the members of a group shall be construed as references to the bodies corporate which are members thereof in the relevant period, not being new subsidiaries, whether or not they were members of the group for the whole or any part of the standard period of the group.

4.—(1) Whether the group is or is not such a group as is mentioned in the last two foregoing paragraphs, the principal company of the group may elect that the standard profits of every member of the group shall be ascertained by reference

to the minimum standard, that is to say, by reference to the sum of one thousand pounds, or, if the principal company is a company the directors whereof have a controlling interest therein, by reference to such greater sum as might be allowed in relation to the principal company under the provisions of subsection (2) of section thirteen of the Finance (No. 2) Act, 1939.

(2) The question what is the amount of the minimum standard in relation to the group shall be decided from time to time for the periods falling within the relevant period which are chargeable accounting periods of the principal company, and shall be so decided by the Commissioners:

Provided that if the principal company is dissatisfied with any determination by the Commissioners of any such question, it may appeal to the Special Commissioners.

(3) An election under this paragraph—

(*a*) shall have effect as from such date as may be specified by the principal company in making the election;

(*b*) may be revoked by the principal company as from such date as may be specified by the principal company in making the revocation; and

(*c*) shall, unless revoked, continue to have effect for the remainder of the relevant period,

and where an election is revoked a new election may be made as from any date subsequent to the date as from which the revocation has effect.

(4) In this paragraph the expression "working proprietor" has the same meaning as it has in subsection (2) of section thirteen of the Finance (No. 2) Act, 1939.

PART III.

Ascertainment of standard profits of members and ascertainment of excesses and deficiencies of profits.

1. The standard profits of a body corporate which is a member of a group of companies in a chargeable accounting period shall, in relation to that period, be ascertained in accordance with the provisions of the next three succeeding paragraphs.

2.—(1) If the group is such a group as is mentioned in paragraph 2 of Part II of this Schedule and the body corporate is not a new subsidiary, the standard profits thereof shall, unless by virtue of an election of the principal company under the said Part II the profits of the body corporate are to be ascertained by reference to the minimum standard, be taken to be an amount ascertained in accordance with the subsequent provisions of this paragraph:

Provided that if the chargeable accounting period is less than twelve months, the standard profits, as ascertained under those provisions, shall be proportionately reduced so as to correspond with the length of the period.

(2) The standard profits of the body corporate shall—

(*a*) where the standard profits of the group would have been less if the trade or business of the body corporate had been left out of account in the calculation thereof, be taken, subject to the adjustment provided for in sub-paragraph (3) of this paragraph, to be an amount equal to the difference;

(*b*) where the standard profits of the group would have been greater if the trade or business of the body corporate had been left out of account in the calculation thereof, be taken, subject to the said adjustment, to be a negative amount equal to the difference; and

(*c*) where no difference would have been made to the standard profits of the group if the trade or business of the body corporate had been left out of account (whether because that trade or business was not in existence in the standard period or because no profits and no loss arose therein in that period), be taken, subject to the said adjustment, to be nil:

Provided that where the standard profits of the group are determined in accordance with the second section of Part III of this Act (as applied with adaptations by Part II of this Schedule), the standard profits of the body corporate shall, subject to the said adjustment, be such part of the standard profits of the group as may be determined by reference to an apportionment made by the Commissioners or, if any member of the group (other than a new subsidiary) so requires, by the Board of Referees.

(3) If the everage amount of the capital employed in the trade or business of the body corporate is greater or less in the chargeable accounting period than in the standard period of the group, the standard profits as ascertained under sub-paragraph (2) of this paragraph shall be adjusted by being increased or, as the case may be, decreased by the statutory percentage of the increase or decrease in the average amount of the capital employed in the trade or business.

(4) In sub-paragraph (3) of this paragraph, the expression "the statutory percentage" has the meaning assigned to it by subsection (9) of section thirteen of the Finance (No. 2) Act, 1939:

Provided that proviso to the said subsection (9) (which prescribes that six per cent. shall be the statutory percentage in all cases in relation to any decrease of capital) shall have effect only in relation to such part of any decrease as is shown to be the proper proportion of any decrease in the average amount of the capital em-

ployed in all the trades or businesses of all the bodies corporate which are members of the group in the chargeable accounting period, other than new subsidiaries, and any question what is the said proper proportion shall be decided by the Commissioners whose decision shall be final.

3.—(1) If the group is not such a group as is mentioned in paragraph 2 of Part II of this Schedule or if the body corporate is a new subsidiary, the standard profits shall, unless by virtue of an election by the principal company under the said Part II the standard profits of the body corporate are to be ascertained by reference to the minimum standard, be ascertained in accordance with section thirteen of the Finance (No. 2) Act, 1939, and the second section of Part III of this Act, subject to the modifications specified in this paragraph.

(2) Subsection (2) of the said section thirteen, and in sub-section (1) thereof the words "if the person carrying on the trade or business so elects, to be the minimum amount specified in subsection (2) of this section, and, in the absence of such an election" shall be deemed to be omitted.

(3) If the standard profits are to be computed by reference to the profits of a standard period, and in that period there is a loss, the profits of that period shall be deemed to be a negative amount equal to the loss.

(4) If the standard profits for a full year are by virtue of subsection (8) of the said section thirteen to be taken to be the statutory percentage of the average amount of the capital employed in the trade or business in the chargeable accounting period, and in that period the average amount of capital employed is a negative amount, the standard profits for a full year shall be deemed to be a negative amount equal to the statuory percentage of that negative amount of capital.

(5) An application with respect to a new subsidiary under the second section of Part III of this Act, as applied by sub-paragraph (1) of this paragraph shall be made by the principal company and not otherwise and where a new subsidiary became a member of the group after the end of March, nineteen hundred and thirty-nine, and the standard profits thereof for any chargeable accounting period ending before it became a member of the group fall to be computed by reference to a direction given with respect to it under the said second section, that direction shall not have effect as respects the period during which it is a member of the group, unless the Board of Referees, on the application of the principal company, confirm the direction:

Provided that on any such application for the confirmation of a direction the Board of Referees may, in lieu of refusing to confirm the direction, confirm it subject to such diminution of the amount specified therein as they think fit.

4. If by virtue of an election of the principal company under Part II of this

Schedule the standard profits of the body corporate are to be ascertained by reference to the minimum standard, the standard profits of the body corporate shall be such apportioned part of the minimum standard as may be determined by reference to an apportionment made by the Commissioners, or, if any member of the group so requires, by the Special Commissioners:

Provided that if the chargeable accounting period is less than twelve months, the standard profits shall be taken to be the said apportioned part proportionately reduced so as to correspond with the length of the period.

5.—(1) If in the case of the trade or business of a body corporate there is a loss in any chargeable accounting period, and in that period the body corporate is a member of a group of companies, there shall, for the purposes of determining whether there is an excess or deficiency of profits, be deemed to be a profit of a negative amount equal to the loss.

(2) If in the case of any member of a group of companies the average amount of the gross capital employed in the trade or business of the member in any period is less than the deductions from capital allowable in that period, the average amount of the capital employed in that period shall be taken to be a negative amount equal to the difference.

In this sub-paragraph the expression "gross capital" means the capital computed without making the deductions specified in Part II of the Seventh Schedule to the Finance (No. 2) Act, 1939, and the expression "deductions from capital" means the deductions so specified.

(s) In determining in the case of any member of a group of companies—

(*a*) what was the amount of any increase or decrease in capital; and

(*b*) what adjustment of the standard profits is to be made by reason of any increase or decrease in capital; and

(*c*) whether there is any and if so what excess or deficiency of profits,

the following rules shall be applied—

(i) a negative amount shall be deemed to exceed a greater negative amount, and to fall short of a less negative amount, by the amount of the difference; and

(ii) a positive amount shall be deemed to exceed a negative amount, and a negative amount to fall short of a positive amount, by the amount which would be the sum of those amounts if they were both positive; and

(iii) so much of subsection (1) of section fifteen of the Finance (No. 2) Act, 1939, as relates to the computation of deficiencies where a loss has been made shall not have effect.

PART IV.

Miscellaneous Provisions.

1.—(1) Subsection (1) of section seventeen of the Finance (No. 2) Act, 1939 (which directs that certain payments passing between interconnected companies shall be disregarded) shall, in relation to any payment passing between members of a group of companies, only apply if the Commissioners so direct; and any payment with respect to which no such direction is given, being a payment to which subsection (1) of the said section seventeen would apply but for the provisions of this paragraph, shall be included in the profits of the body corporate to which it is payable, notwithstanding that it has arisen from an investment, and the investment shall be taken into account accordingly in computing capital.

(2) Subsection (1A) of the said section seventeen (which directs that certain debts not bearing interest which are due between interconnected companies shall be left out of account in computing capital) shall, if the bodies corporate concerned are members of a group of companies, apply in computing the capital of either of those bodies corporate only in relation to such debts, if any, as may be specified in a direction of the Commissioners.

(3) Where, in the case of any debt to which subsection (1) or subsection (1A) of the said section seventeen would otherwise apply, no direction under this paragraph is given by the Commissioners, the debt shall not be treated, for the purposes of the borrowed money rules, or, as the case may be, of the second of the borrowed money rules, as borrowed money the principal of which is liable to be reduced by the value of any investments.

In this sub-paragraph, the expression "the borrowed money rules" means sub-paragraph (3) of paragraph 6 of Part I of the Seventh Schedule to the Finance (No. 2) Act, 1939, and paragraph 3 of Part II of that Schedule, and the expression "the second of the borrowed money rules" means the said paragraph 3.

(4) Dividends received by a member of a group of companies from holdings of share capital of other members of the group shall, in all cases, be left out of account in computing profits, and holdings of such capital shall, in all cases, be left out of account in computing capital, but no reduction shall, in any case, be treated as made in the principal of any borrowed money by virtue of any such holding, either in computing profits or in computing capital.

2.—(1) In this paragraph, the expression "the borrowed money rules" means sub-paragraph (3) of paragraph 6 of Part I of the Seventh Schedule to the Finance (No. 2) Act, 1939, and paragraph 3 of Part II of the said Schedule, and for the

purposes of this paragraph a member of a group of companies shall be deemed to have an excess of excluded investments or an excess of borrowed money if and to the extent that the value of any investments which it has, being investments the income from which is not to be taken into account in computing the profits of its trade or business, exceeds or falls short of the principal of its borrowed money.

In this sub-paragraph, references to income from investments do not include, in relation to any member, income to which that member is not beneficially entitled.

(2) If any members of a group of companies have at any time an excess of excluded investments and at the same time any other member of that group has an excess of borrowed money, the borrowed money rules shall, in relation to that other member, have effect as if the reduction in the principal of the borrowed money of that member required by those rules were increased by the amount of the aggregate of the said excess of excluded investments:

Provided that—

(*a*) if there is more than one member with an excess of borrowed money, the said aggregate excess of excluded investments shall be applied first in relation to one of those members, and if and to the extent that it is greater than the excess of borrowed money of that member, then in relation to another of those members, and so on; and

(*b*) the order in which those members are to be selected shall be, first, the principal company (if it is one of those members) but, subject to the principal company being the first of the members as aforesaid, shall be such as the principal company may require, or as the Commissioners may, in the absence of such a requirement, direct,

3.—(1) This paragraph applies to a subsidiary member of a group of companies which neither is resident in the United Kingdom, nor carries on any trade or business therein, and in this paragraph, the expression "the subsidiary member" shall be construed accordingly.

(2) Where part of the share capital of the subsidiary member (not being ordinary share capital) is owned neither directly nor indirectly by the principal company, than—

(*a*) in computing the capital of the subsidiary member, a deduction shall be made equal to the paid-up amount of that part of its share capital; and

(*b*) in computing the profits of the subsidiary member, a deduction shall be made equal to interest on the said amount at the fixed rate per annum payable in the case of dividends on that part of that share capital.

(3) Where in any chargeable accounting period any part of the ordinary share

capital of the subsidiary member is owned neither directly nor indirectly by the principal company, any excess profits or deficiency of profits occurring in the trade or business of the subsidiary member for that period shall be reduced by an amount bearing to the full amount thereof the same proportion that the paid-up amount of that part of the subsidiary member's ordinary share capital bears to the whole paid-up amount of its ordinary share capital.

(4) The provisions of Part I of the Fourth Schedule to the Finance Act, 1938, shall apply for determining, for the purposes of this paragraph, how much of any share capital of a subsidiary member is owned directly or indirectly by the principal company, and shall so apply in relation to share capital of the subsidiary member which is not ordinary share capital as if it were ordinary share capital.

4.—(1) In this paragraph—

(*a*) the expression "period of charge" means, in relation to the trade or business of a body corporate, a chargeable accounting period the excess or deficiency of profits for which is to be ascertained for the purposes of excess profits tax;

(*b*) the expression "period of computation" means, in relation to a period of charge, any period the profits or the capital of which are relevant for the purposes of ascertaining the excess or deficiency of profits for that period of charge.

(2) The foregoing provisions of this Part of this Schedule shall have effect for the purposes of computing the excess or deficiency of profits of the trade or business of any body corporate in any period of charge if and only if in that period the body corporate was a member of a group of companies, but shall, for that purpose, apply to the computation of profits and capital during all periods of computation, notwithstanding that that body corporate was not a member of the group in or throughout any of those periods.

(3) References in the said provisions to a group of companies, or to a member, a subsidiary member, or the principal company, of a group of companies, shall be construed by reference to the facts of the period of computation, or, where is more than one such period, to the facts of each of those periods respectively.

5. If at any time after the thirty-first day of March, nineteen hundred and thirty-nine, a body corporate is a member of a group of companies, there shall be made such alteration, if any, of the periods which would otherwise be chargeable accounting periods thereof (whether for the purpose of excess profits tax or those of the national defence contribution) as the Commissioners may direct.

6.—(1) Subject to the provisions of sub-paragraph (2) of this paragraph, if a body corporate becomes or ceases to be a subsidiary member of a particular group of companies—

(*a*) no relief shall be given in respect of deficiencies of profits occurring before that event by any reduction of any profits arising after that event; and

(*b*) no relief shall be given in respect of deficiencies of profits occurring after that event by any reduction of any profits arising before that event.

(2) If it is established in the case of a body corporate that it has a deficiency of profits for any chargeable accounting period during which it was a member of a group of companies, the principal company of the group may require that the deficiency, so far as it is not absorbed in reducing the aggregate amount of the profits chargeable to excess profits tax of that member for previous chargeable accounting periods, shall be applied in whole or in part in reducing any other profits on which the principal company is assessable to excess profits tax, and relief from excess profits tax shall be given accordingly; and to the extent that any deficiency is so applied, it shall not be available for reducing any profits chargeable to excess profits tax of the said member for any period.

The reference in this sub-paragraph to profits on which the principal company is assessable includes profits on which it is assessable for any chargeable accounting period, whether or not in that chargeable accounting period the principal company is the principal company of the group.

(3) So much of any provision of Part III of this Act as prevents a deficiency of profits being taken into account in so far as it occurs while the trade or business was being carried on neither in the United Kingdom nor by a person ordinarily resident in the United Kingdom shall not apply if the trade or business was being carried on by a body corporate which was then a member of a group of companies.

(4) For the purposes of this paragraph a group of companies shall be deemed to be the same group notwithstanding any changes in the members thereof so long as, and only so long as, the same body corporate remains the principal company of the group.

7.—(1) Neither section nineteen of the Finance (No. 2) Act, 1939 (which contains provisions as to the relation of excess profits tax and the national defence contribution) nor the Sixth Schedule to this Act shall apply in the case of any body corporate as respects any period during which it is a member of a group of companies, and the national defence contribution shall be charged in respect of any profits of the trade or business of the body corporate arising during that period as if there were no excess profits tax.

(2) The Commissioners shall from time to time make—

(*a*) such reductions, if any, of excess profits tax chargeable in respect of the trades or businesses of the members of a group of companies; and

(*b*) such repayments, if any, of the excess profits tax paid in respect of those trades or businesses,

as appear to the Commissioners to be such as will secure that over the whole period during which both excess profits tax and the national defence contribution are in operation the total sum payably by way of excess profits tax in respect of the trades or businesses of all the members of the group does not exceed the excess, if any, of—

(i) the total amount of excess profits tax which would be chargeable in respect of those trades or businesses over that period if the national defence contribution were disregarded except in computing capital,

over—

(ii) the total amount of the national defence contribution chargeable in respect of those trades or businesses over the said period.

In this sub-paragraph, the references to amounts payable in respect of the trades or businesses of members of a group of companies shall be construed as references to the sums payable in respect of the trades or businesses of all bodies corporate who were members of the group at any time during the period or part of the period in question, being sums payable in respect of profits arising while they were members of that group, and for the purposes of this sub-paragraph a group of companies shall be deemed to be the same group notwithstanding any changes in the members thereof so long as, and only so long as, the same body corperate remains the principal company of the group.

8.—(1) For each subsidiary member of a group of companies, there shall, in the case of each chargeable accounting period, be computed the total excess profits tax which would have been chargeable for that period and for any previous chargeable accounting periods during which it was a member of the group if—

(*a*) all deficiencies of profits occuring in its own trade or business in those periods, and no deficiencies occurring otherwise, had been applied in reducing its profits chargeable with excess profits tax; and

(*b*) any credit to be given under the last preceding paragraph in respect of the payment of the national defence contribution had been given in respect of all the national defence contribution chargeable for those periods in respect of its own trade or business, and no credit had been given for any national defence contribution chargeable otherwise.

(2) The principal company may demand that the subsidiary member shall pay to it the whole or any part—

(*a*) in the case of the first chargeable accounting period in which the subsidiary member is a member of the group, of the amount calculated for that period under sub-paragraph (1) of this paragraph;

(*b*) in the case of any subsequent accounting period, of the excess, if any, of the amount so computed for that period over the amount computed for the last preceding chargeable accounting period in which it was a member of the group;

and the subsidiary member shall comply with the demand:

Provided that if any excess profits tax charged on the principal company in respect of the trade or business of the subsidiary member has not been paid, that member may, to the extent that the tax remains unpaid, make payment in respect of the sum demanded to the Commissioners instead of to the principal company.

(3) If, in the case of any chargeable accounting period, the total amount of excess profits tax computed therefor falls short of the amount computed for the last preceding chargeable accounting period in which the subsidiary member was a member of the group, the amount of the difference shall, in so far as it exceeds any amount which could have been, but was not, demanded by the principal company under the last preceding sub-paragraph from that member, be paid by the principal company to that member.

(4) For the purposes of this paragraph a group of companies shall be deemed to be the same group notwithstanding any changes in the members thereof so long as, and only so long as, the same body corporate remains the principal company of the group.

9.—(1) Section eighteen of the Finance (No. 2) Act, 1939, (which contains provisions as to the relation of excess profits tax to income tax) shall, in relation to the trade or business of any member of a group of companies, have effect subject to the provisions of this paragraph.

(2) The excess profits tax payable in respect of the trade or business of a subsidiary member for any chargeable accounting period shall, in lieu of being deducted as an expense in computing the profits and gains arising from that trade or business, be deducted in computing the profits and gains arising from the trade or business of the principal company as an expense incurred on the last day of the said chargeable accounting period.

(3) The proviso to subsection (1) of the said section eighteen shall not have effect, but where relief from excess profits tax in respect of the trade or business of

any member of a group of companies for any chargeable accounting period is given as the result of any deficiency of profits or any liability to the national defence contribution of any member of the group occurring in any chargeable accounting period—

(*a*) the amount of the deduction provided for by subsection (1) of the said section eighteen or by the last preceding sub-paragraph shall not be altered; but

(*b*) the amount of the relief shall be taken into account in computing for the purposes of income tax the profits and gains arising from the trade or business of the principal company as if it were a profit of that trade or business arising—

(i) on the last day of the chargeable accounting period from excess profits tax for which relief is given, or

(ii) on the last day of the chargeable accounting period in which the deficiency of profits occurred or for which the liability to the national defence contribution arose,

whichever day is the later.

(4) Where in the case of any chargeable accounting period of a subsidiary member an amount falls to be paid by the subsidiary member to the principal company or the Commissioners under sub-paragraph (2) of the last preceding paragraph, that amount—

(*a*) shall be deducted in computing for the purposes of income tax the profits and gains arising from the trade or business of the subsidiary member as an expense incurred in that chargeable accounting period; and

(*b*) shall be taken into account in computing for those purposes the profits and gains arising from the trade or business of the principal company as if it were a profit of that trade or business arising on the last day of the said chargeable accounting period.

(5) Where, in the case of a chargeable accounting period of a subsidiary member, an amount falls to be paid by the principal company to the subsidiary member under sub-paragraph (3) of the last preceding paragraph, that amount—

(*a*) shall be deducted in computing for the purposes of income tax the profits and gains arising from the trade or business of the principal company as an expense incurred on the last day of the said chargeable accounting period; and

(*b*) shall be taken into account in computing for the said purposes the profits and gains arising from the trade or business of the subsidiary member as if it were a profit of the trade or business arising in the said chargeable accounting period.

(6) If—

(*a*) in any such case as is mentioned in sub-paragraph (3) or paragraph (*b*) of sub-paragraph (4) of this paragraph, the trade or business of the principal company; or

(*b*) in any such case as is mentioned in paragraph (*b*) of sub-paragraph (5) of this paragraph, the trade or business of the subsidiary member,

is a business of life assurance or a business consisting wholly or mainly in the holding of investments or other property, the amount which would under those provisions respectively be taken into account in computing for the purposes of income tax the profits and gains arising from the trade or business of the principal company or, as the case may be, the subsidiary member, shall be assessable to income tax under Case VI of Schedule D.

(7) The provisions of this paragraph shall, in relation to any body corporate, have effect with respect to any year of assessment income tax for which is, in the case of that body corporate, affected by the profits or gains of any period any part of which falls within any chargeable accounting period to which the provision in question relates.

10.—(1) In the case of a member of a group of companies the following provisions of this paragraph shall have effect, for the purposes of Part II of the Seventh Schedule to the Finance (No. 2) Act, 1939 (which contains provisions for computing capital for the purposes of excess profits tax),—

(*a*) in lieu of the provisions of the proviso to sub-paragraph (1) of paragraph 2 of the said Part II, in so far as those provisions relate to debts for excess profits tax; and

(*b*) also in lieu of the provisions of sub-paragraph (2) of the said paragraph 2.

(2) A debt for excess profits tax payable in respect of the trade or business of any member of a group of companies shall be deemed for the purposes of paragraph 2 of the said Part II—

(*a*) to be a debt of the principal company and not of any other company; and

(*b*) to have become due on the first day after the end of the chargeable accounting period in respect of which the tax is assessable, notwithstanding that the tax may not have been assessed until after the said day.

(3) Where any debt for excess profits tax for any chargeable accounting period in respect of the trade or business of a member of a group of companies is to be deducted under paragraph 2 of the said Part II, the amount thereof shall not be reduced by reason of any relief given as the result of any deficiency of profits or any liability to the national defence contribution of any member of the group occurring

in any chargeable accounting period, but the amount of the relief shall be treated as having become an asset of the trade or business of the principal company on—

(*a*) the first day after the end of the chargeable accounting period from excess profits tax for which relief is given; or

(*b*) the first day after the end of the chargeable accounting period in which the deficiency of profits occurred or for which the liability to the national defence contribution arose,

whichever day is the later.

(4) If, in relation to any chargeable accounting period of a subsidiary member, an amount becomes payable under sub-paragraph (2) or sub-paragraph (3) of the last but one preceding paragraph from the subsidiary member or the principal company, that amount shall, for the purpose of computing the capital of the principal company and the subsidiary member, be deemed—

(*a*) to be a debt which became due from the subsidiary member or the principal company, as the case may be, on the first day after the end of that chargeable accounting period; and

(*b*) to have become an asset of the principal company or the subsidiary member, as the case may be, on that day.

11. Any appeal from any assessment to, or determination with respect to, excess profits tax in respect of the trade or business of a body corporate for any chargeable accounting period during which it is a member of a group of companies, which would, but for the provisions of this paragraph, have lain either to the General Commissioners or the Special Commissioners shall lie to the Special Commissioners only, and accordingly, in relation to any such assessment or determination, Part II of the Fifth Schedule to the Finance Act, 1937, as applied for the purposes of excess profits tax, shall have effect as if the references to the General Commissioners were omitted therefrom.

12. Any dispute arising between any bodies corporate with respect to the proper allocation, as between those bodies, of the burden of any excess profits tax, or the benefit of any repayment of, or relief from, excess profits tax, shall, if the tax was assessed for a chargeable accounting period when those bodies were members of a group of companies, or the repayment or relief was made or allowed against tax assessed for, or by reason of a deficiency of profits in, such a chargeable accounting period, be decided—

(*a*) if all the bodies corporate concerned so require, by the Commissioners; and

(*b*) in any other case, by the Special Commissioners,

and any decision of the Commissioners or the Special Commissioners under this paragraph shall be final.

13.—(1) In this Schedule, the expression "new subsidiary," in relation to any chargeable accounting period of a body corporate which in that period is a member of a group of companies to which this sub-paragraph applies, means a body corporate which was a subsidiary member of the group in that period but which was at no time during the standard period of the group a member of that or of any other group of companies:

Provided that any other body corporate which is a subsidiary member of the group in the said chargeable accounting period but, in the standard period of the group, was a member of some other group shall, in relation to the said chargeable accounting period, be deemed to be a new subsidiary if the Commissioners are satisfied that there is no substantial degree of connection or continuity between the two groups.

The groups of companies to which this sub-paragraph applies are all groups of companies the trades or businesses of any of the members of which were being carried on on the first day of July, nineteen hundred and thirty-six.

(2) It is hereby declared that the provisions of section sixteen of the Finance (No. 2) Act, 1939 (which relates to successions and amalgamations) which are expressed to have effect for the purposes of the provisions of that Act, or of Part III of that Act, relating to the computation of standard profits have effect also for the purposes of Parts II and III of this Schedule.

SIXTH SCHEDULE.

ADDITIONAL PROVISIONS AS TO ASSESSMENT AND COLLECTION OF EXCESS PROFITS TAX AND THE NATIONAL DEFENCE CONTRIBUTION.

1. On an appeal against an assessment to excess profits tax for any period, the amount of the assessment shall not, except with the concurrence of the Commissioners, be reduced below the excess of—

(*a*) the amount of the national defence contribution which would have been assessable for that period if no excess profits tax had been assessable therefor; over—

(*b*) the amount of any subsisting assessment to the national defence contribution for that period.

2. Where an appeal is pending against an assessment to excess profits tax for any period, the Commissioners may treat as not being in dispute at least so much of the amount of the assessment as is equal to the excess of—

(*a*) the amount of the national defence contribution which, if no excess profits tax were assessable for that period, would, in the opinion of the Commissioners, be payable therefor and would not be in dispute;

over—

(*b*) the amount of any subsisting assessment to the national defence contribution for that period.

3. The provisions of paragraphs 1 and 2 of this Schedule shall apply in relation to appeals against assessments to the national defence contribution as they apply in relation to appeals against assessments to excess profits tax, with the substitution—

(*a*) for the references to excess profits tax, of references to the national defence contribution; and

(*b*) for the references to the national defence contribution, of references to excess profits tax.

4. Where, for any period, excess profits tax would be assessable if there were no national defence contribution assessable and the national defence contribution would be assessable if there were no excess profits tax assessable, the Commissioners may, notwithstanding anything in section nineteen of the Finance (No. 2) Act, 1939, make an assessment either to excess profits tax or to the national defence contribution, or assessments both to excess profits tax and to the national defence contribution; and where the Commissioners make an assessment by virtue of this paragraph, they may, if they think fit, discharge the whole or any part of any assessment already made for that period (whether or not confirmed on appeal) and, to the extent that any tax so discharged has already been paid, shall treat the amount of that tax as paid on the new assessment:

Provided that nothing in this paragraph shall authorise the making of any assessment to excess profits tax or to the national defence contribution so that the amount thereof, together with the amount of any subsisting assessment for the period (whether to excess profits tax or the national defence contribution) exceeds—

(i) the amount of excess profits tax which would be assessable for that period if no national defence contribution were assessable therefor; or

(ii) the amount of the national defence contribution which would be assessable for that period, if no excess profits tax were assessable therefor,

whichever is the higher.

5. Any payment made under an assessment to excess profits tax or the national defence contribution for any period shall be treated for all purposes as a payment on account of the total tax or contribution ultimately found to be assessable for that period.

6. In this Schedule the expression "subsisting assessment" means an assessment which has been made and not discharged, and the expression "the amount of any subsisting assessment" means, in relation to any subsisting assessment which has been reduced, the amount of that assessemt as reduced.

7. Where the chargeable accounting periods for the purposes of excess profits tax do not coincide with those for the purposes of the national defence contribution, the foregoing provisions of this Schedule shall have effect subject to the following adaptations—

(*a*) references to the amount which would have been assessable, the amount of any subsisting assessment or the amount which would be payable, for any period, shall be construed as references to an amount ascertained by apportioning and aggregating the amounts assessable, assessed, or payable, as the case may be, for all periods falling wholly or partly within that period;

(*b*) in applying the provisions of paragraphs 1 and 2 of this Schedule to the case of an assessment to excess profits tax for a period part of which falls before, and part of which falls after, the end of March, nineteen hundred and forty-two, there shall be deemed to be added to the amount of the national defence contribution which would have been assessable or payable, as the case may be, for the part of the period before the said end of March an amount equal to so much of the excess profits tax for the whole period as is apportionable to the part thereof falling after the said end of March;

(*c*) in applying the provisions of paragraphs 1 to 3 of this Schedule to the case of an assessment to the national defence contribution for any period falling partly before and partly after the end of March, nineteen hundred and thirty-nine, there shall be added to the amount of excess profits tax which would have been assessable or payable, as the case may be, for the part of the period after the said end of March an amount equal to so much of the national defence contribution for the whole period as is apportionable to the part thereof falling before the said end of March.

8. Any apportionment required to be made by the last preceding paragraph shall be made by reference to the number of months or fractions of months in the period to which the apportionment relates:

Provided that, in the case of the national defence contribution, where—

(*a*) part of the period falls before and part falls after the end of March, nineteen hundred and thirty-nine; and

(*b*) the amount of the national defence contribution for the period, computed

as if there were no excess profits tax, is increased or reduced by the operation of any of the provisions of this Act,

the amount of the increase or reduction shall not be so apportioned but there shall be attributed to the part of the said period falling after the said end of March the amount which would have been attributable thereto if the increase or reduction had not occurred, together with the whole amount of the increase or reduction.

SEVENTH SCHEDULE.

PROVISIONS SUPPLEMENTARY TO SECTION FORTY-SIX AND SUCCEEDING PROVISIONS OF PART IV.

Amounts to be taken into account in respect of benefits, and time when benefits are to be treated as accruing.

1.—(1) The provisions of this paragraph shall have effect for the purpose of determining the amounts to be taken into account, for the purposes of subsection (2) of section forty-six of this Act, as the amounts of benefits accruing to the deceased from the company.

(2) No amount shall be taken into account more than once.

(3) Where an amount is taken into account by reference to the deceased's having been entitled to a benefit which he did not in fact receive, or by reference to a power which was not in fact exercised or was surrendered, due regard shall be had to the effect that his receiving the benefit, or the power's being exercised, would have had in relation to other benefits.

(4) The amounts that are to be taken into account by reference to the deceased's having been entitled to a benefit which he did not in fact receive, or by reference to a power which was not in fact exercised or was surrendered, shall be such as would have fallen to be taken into account as benefits received by the deceased if he had acted in relation to the claiming of benefits and the exercise of powers during the three years ending with his death to his greatest financial advantage, due regard being had to any consideration which he would have had to give in respect of a claim to any benefit or the exercise of any power.

(5) In making for the purposes of the last preceding sub-paragraph a computation of any diminution of income which the deceased would have sustained by giving any such consideration as is therein mentioned, or of any increase of income which the company would have obtained from any such consideration to be given to the company, it shall be assumed that the consideration would have yielded income equal to interest at the average rate on the amount or value thereof.

(6) The amounts to be taken into account shall include any income tax which the deceased paid or bore in respect of the benefits in question.

(7) The amount to be taken into account in respect of a benefit consisting of any enjoyment in specie of land or other property of the company or of a right thereover shall be the value of the enjoyment thereof for the period during which the benefit subsisted, and that value shall be calculated in the case of land by reference to the annual value of the land as ascertained for the purposes of income tax chargeable under Schedule A.

2.—(1) The provisions of this paragraph shall have effect for the purpose of determining—

(*a*) whether a benefit accruing to the deceased from the company is to be treated as having accrued to him during the three years ending with his death, or during a particular accounting year, or at any other relevant time; and

(*b*) the period during which a benefit consisting of any enjoyment in specie of land or other property of the company or of a right thereover is to be treated as having subsisted.

(2) A benefit consisting of income of the company or a periodical payment which the deceased received, or became entitled to (but did not in fact) receive, shall be treated as having accrued to him at the earliest time at which he could have obtained receipt thereof.

(3) A benefit consisting of income of the company or a periodical payment which the deceased could have become entitled to receive by an exercise in the three years ending with his death of a power which was not in fact exercised or was surrendered shall be treated as having accrued to him at the earliest time at which he could have obtained receipt thereof if he had acted as mentioned in sub-paragraph (4) of paragraph 1 of this Schedule.

(4) A benefit consisting of interest on such a payment other than a periodical payment as is mentioned in subsection (1) of section forty-seven of this Act which the deceased could have become entitled to receive shall be treated as having accrued to him in any accounting year to the extent to which the period during which the interest is to be treated as accruing fell within that year.

(5) A benefit consisting of any such enjoyment in specie as aforesaid shall be treated as having accrued to the deceased in the said three years if any part of the period during which it subsisted fell within those years, and shall be treated as having accrued to him in any accounting year to the extent to which the period during which it subsisted fell within that year.

(6) A benefit consistiug of any such enjoyment in specie as aforesaid shall be treated as having subsisted during the following period, that is to say—

(*a*) in the case of enjoyment that the deceased had, during the period for which he had it;

(*b*) in the case of enjoyment which he became entitled to (but did not in fact) have, during the period for which he could have had it;

(*c*) in the case of enjoyment which he could have become entitled to have by an exercise in the three years ending with his death of a power which was not in fact exercised or was surrendered, during the period for which he could have had it if he had acted as mentioned in sub-paragraph (4) of paragraph 1 of this Schedule.

Adjustments as to Distributed Assets and Additions to Assets.

3.—(1) Where the assets of the company passing on the death of the deceased by virtue of section forty-six of this Act include any distributed assets, or by reason of the company's having been wound up or dissolved before the death consist of distributed assets, the following provisions of this paragraph shall have effect.

(2) The net income of the company shall be determined as if the income of the company had included, or the company had had income equal to, interest on a sum equal to the value of each distribution at the average rate from the date thereof.

(3) If on any distribution the deceased received beneficially an interest in any of the distributed assets, the benefits accruing to the deceased from the company shall be ascertained as if the amount brought into the income of the company under the last preceding sub-paragraph by reference to the value of the distribution of those assets had been income of the company which the deceased was entitled to receive immediately on its accrual to the company, or, where the interest in those assets which the deceased received was less than an absolute interest, had been such income to an extent corresponding to the proportion which the value of the interest in those assets received by him bore to the value of those assets.

(4) Where sub-paragraph (3) of this paragraph has effect—

(*a*) the value on which, apart from this provision, estate duty would be payable on the death of the deceased by virtue of section forty-six of this Act shall be reduced by an amount equal to the value of the distribution of the assets in question, or, where the interest in those assets which the deceased received was less than an absolute interest, by an amount equal to the proportion aforesaid of that value; and

(*b*) any amount which is treated as a benefit accruing to the deceased from

the company by virtue of that sub-paragraph shall be treated for the purposes of subsection (1) of section fifty-one of this Act as a benefit received by him.

4.—(1) Where the principal value of the assets of the company passing on the death of the deceased by virtue of section forty-six of this Act is increased by reason of an addition's having been made to the assets of the company, otherwise than by way of receipts representing income in respect of which the company was liable to pay or bear income tax, between the beginning of the first of the relevant accounting years and the death of the deceased, either—

(*a*) in consideration of an issue of shares in or debentures of the company, or

(*b*) otherwise howsoever, except by way of purchase for full consideration in money or money's worth given by the company,

the following provisions of this paragraph shall have effect in relation to the added assets.

(2) The net income of the company shall be determined as if the income of the company had included interest on a sum equal to the value of the addition at the average rate from the beginning of the first of the relevant accounting years to the date of the addition.

(3) If a transfer of any of the added assets or of any interest in any of them was made to the company by the deceased, the benefits accruing to the deceased from the company shall be ascertained as if the amount brought into the income of the company under the last preceding sub-paragraph by reference to the value of the addition of those assets had been income of the company which the deceased was entitled to receive immediately on its accrual to the company, or had been such income to an extent corresponding to the proportion which the value of the interest transferred bore to the value of those assets, as the case may be.

(4) Where sub-paragraph (3) of this paragraph has effect, if the deceased received as consideration for the addition of the assets in question an interest in any share in or debentures of the company in respect of which estate duty would be payable on his death apart from anything in subsection (2) of section fifty-one of this Act, any amount which is treated as a benefit accruing to him from the company by virtue of that sub-paragraph shall be treated for the purposes of the said subsection (2) as a benefit accruing to him by virtue of his interest in those shares or debentures.

(5) In this paragraph the expression "value of the addition" means, in relation to any added assets, the value thereof or, if partial consideration (other than an issue of, or an alteration of rights attaching to, shares in or debentures of the company) was given therefor in money or money's worth out of the resources or at the expense of the company, the value thoreof less the value of the consideration given.

Prevention of duplication of charge in respect of benefits and charge in respect of shares.

5. For the purposes of subsection (2) of section fifty-one of this Act, where the benefits that accrued to the deceased from the company in the relevant accounting years included benefits that accrued to him otherwise than as mentioned in that subsection, but the deceased had at any time an interest in, or a power was at any time exercisable in relation to, shares in or debentures of the company in respect of which estate duty would be payable on his death apart from anything in that subsection, and by virtue of that interest or power benefits accrued to the deceased from the company in those years, or would so have accrued to him if any payments had been made by virtue of rights attached to those shares or debentures, then—

(*a*) if the first-mentioned benefits consisted to any extent of payments made out of moneys which, if not so applied, could have been applied in increasing the last-mentioned benefits, or as payments which would have constituted such benefits; or

(*b*) if the first-mentioned benefits are brought into the computation made under subsection (2) of section forty-six of this Act to the exclusion to any extent of the last-mentioned benefits;

the first-mentioned benefits shall to that extent be treated as if they had accrued to the deceased by virtue of his interest in, or of the power exercisable in relation to, the said shares or debentures.

"Accounting year."

6.—(1) The expression "accounting year" means if the company has, before the death of the deceased, made up accounts for a period of twelve months ending in the last year of his life, that period and each previous period of twelve months ending on the date corresponding to that to which the accounts were made up, or, if not, a period of twelve months ending on such date in the last year of his life as the Commissioners may determine and each previous period of twelve months ending on the date corresponding to the date determined.

(2) The expression "relevant accounting years" means the accounting years by reference to which the extent of the passing of the assets of the company is to be determined under section forty-six of this Act.

(3) Where an accounting year does not coincide with a period for which accounts

of the company were made up, the Commissioners may, for the purpose of determining the income or net income of the company for that accounting year, divide any such period and make such apportionments and aggregations of the income of the company as may be necessary, so, however, that any apportionments so made shall be made in proportion to the number of months or fractions of months in the respective periods for which the apportionment is made.

EIGHTH SCHEDULE.

ENACTMENTS REPEALED.

Session and Chapter.	Short Title.	Extent of Repeal.
63 & 64 Vict. c. 7.	The Finance Act, 1900.	Section eleven (except as regards persons dying before the commencement of this Act).
10 Edw. 7. & 1 Geo. 5. c. 8.	The Finance (1909-10) Act, 1910.	In section fifty-nine, in subsection (1), the words "or a surrender, assurance, divesting, or disposition must have been made or effected" the words "or affected by the surrender, assurance, divesting, or disposition", the words and section eleven of the "Finance Act, 1900", and in the proviso the words "surrender, assurance, divesting or disposition" and the words "or effected" (except as regards persons dying before the commencement of this Act).
17 & 18 Geo. 5. c. 10.	The Finance Act, 1927.	Subsections (2) and (3) of section eight and Part II of the Third Schedule.
20 & 21 Geo. 5. c. 28.	The Finance Act, 1930.	Sections thirty-four to thirty-nine (except as regards persons dying before the commencement of this Act).
23 & 24 Geo. 5. c. 19.	The Finance Act, 1933.	Section four, subsections (1) and (2) of section five and the Third Schedule.
1 & 2 Geo. 6. c. 46.	The Finance Act, 1938.	Section forty-nine (except as regards persons dying before the commencement of this Act).
2 & 3 Geo. 6. c. 109.	The Finance (No. 2) Act, 1939.	Subsections (1) and (2) of section five and Parts I and II of the Fourth Schedule.

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Fourth Schedule—Entertainments (Rates of Duty).
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Ninth Schedule—Purchase Tax (Enforcement and service of Notices).
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PART I.

CUSTOMS AND EXCISE.

1.—(1) Section one of the Finance (No. 2) Act, 1939, (which imposes duties of excise and customs in respect of beer) shall have effect as if Parts I, III and IV of the First Schedule to this Act were respectively substituted for Parts I, III and IV of the First Schedule to that Act.

(2) In the case of beer in respect of which it is shown to the satisfaction of the Commissioners that the increased duty chargeable by virtue of this section has been paid, the provisions of the said section one relating to drawback shall have effect as if Parts II, V and VI of the First Schedule to this Act were respectively substituted for Parts II, V and VI of the First Schedule to the Finance (No. 2) Act, 1939.

(3) The proviso to section sixteen of the Inland Revenue Act, 1880 (which provides that the time for payment of the excise duty on beer shall not be later than the fifteenth day of the month succeeding the month in which the duty was charged) shall have effect as if the words "twenty-fifth day" were substituted for the words "fifteenth day".

(4) This section shall be deemed to have had effect as from the twenty-fourth day of July, nineteen hundred and forty.

2.—(1) Section three of the Finance (No. 2) Act, 1939, (which imposes duties of customs on wines) shall have effect as if Part I and Part II of the Second Schedule to this Act were respectively substituted for Part I and Part II of the Third Schedule to that Act.

(2) This section shall be deemed to have had effect as from the twenty-fourth day of July, nineteen hundred and forty.

3.—(1) The duty of excise on sweets charged under section six of the Finance Act, 1927, shall—

(*a*) in the case of sparkling sweets, be at the rate of eleven shillings and sixpence per gallon; and

(*b*) in the case of other sweets, be at the rate of five shillings and sixpence instead of three shillings and sixpence per gallon.

(2) Where duty becomes chargeable on any sweets at the rate applicable to sparkling sweets, and it is shown to the satisfaction of the Commissioners that duty has already been paid thereon at the rate applicable to other sweets, the duty so chargeable shall be reduced by the amount of the duty so paid.

(3) This section shall be deemed to have had effect as from the twenty-fourth day of July, nineteen hundred and forty.

4.—(1) In lieu of the duties of customs charged on tobacco under section three of the Finance Act, 1940, there shall, subject to the provisions of section eight of the Finance Act, 1919, be charged on tobacco imported into the United Kingdom of the descriptions set out in the first column of Part I of the Third Schedule to this Act duties of customs at the rates respectively specified in the second column of that Part of that Schedule.

(2) In lieu of the duties of excise charged on tobacco under the said section three, there shall be charged on tobacco grown in the United Kingdom of the descriptions set out in the first column of Part II of the Third Schedule to this Act duties of excise at the rates respectively specified in the second column of that Part of that Schedule.

(3) The drawback allowed under section one of the Manufactured Tobacco Act, 1863, on tobacco exported from the United Kingdom or deposited in a bonded or King's warehouse shall, in cases were it is shown that the duties charged under this section have been paid, be allowed at the rates set out in Part III of the Third Schedule to this Act instead of at the rates set out in Part III of the Third Schedule to the Finance Act, 1940, but subject to the provisions affecting allowance of drawback contained in the Schedule to the Finance Act, 1904.

(4) This section shall be deemed to have had effect as from the twenty-fourth day of July, nineteen hundred and forty.

5. As respects payments for admission to entertainments held on or after the sixth day of October, nineteen hundred and forty, entertainments duty within the meaning of the Finance (New Duties) Act, 1916, shall be charged—

(*a*) in the case of entertainments chargeable at reduced rates by virtue of subsection (3) of section one of the Finance Act, 1935 (which relates to stage plays, &c.), at the rates set out in Part I of the Fourth Schedule to this Act; and

(*b*) in the case of other entertainments, at the rates set out in Part II of that Schedule.

Part II.

Income Tax.

6.—(1) The standard rate of income tax for the year 1940–41 shall be eight shillings and sixpence in the pound, instead of seven shillings and sixpence in the pound as provided by subsection (1) of section eleven of the Finance Act, 1940.

(2) It is hereby declared that any deductions of tax made before the passing of this Act by reference to a rate of eight shillings and sixpence in the pound are to be treated for all purposes (including all the purposes of any legal proceedings instituted before the passing of this Act) as having been made by reference to the proper rate; but this section shall not invalidate anything done before the passing of this Act or render improper any deduction in respect of income tax made before the first day of September, nineteen hundred and forty, which would have been a proper deduction if this Act had not passed.

(3) The provisions of the Fifth Schedule to this Act shall have effect for the purposes of and in connection with the change of the standard rate of income tax made by this section.

7.—(1) Income tax for the year 1939–40 in respect of the excess of the total income of an individual over two thousand pounds shall, instead of being charged at the rates mentioned in section twelve of the Finance Act, 1940, be charged at rates in the pound which respectively exceed the standard rate by the amounts specified in the second column of the following Table:—

Table.

For every pound of—	*s.*	*d.*
the first five hundred pounds of the excess	2	0
the next five hundred pounds of the excess	2	3
the next one thousand pounds of the excess	3	3
the next one thousand pounds of the excess	4	3
the next one thousand pounds of the excess	5	0
the next two thousand pounds of the excess	5	9
the next two thousand pounds of the excess	7	0
the next five thousand pounds of the excess	8	3
the next five thousand pounds of the excess	9	0
the remainder of the excess...	9	6

(2) The amount payable by virtue of any assessment in respect of surtax for the year 1939–40 made before the passing of this Act shall, by virtue of this Act and without more, be treated as varied so as to accord with the provisions of subsection (1) of this section.

8.—(1) Subsection (2) of section forty of the Finance Act, 1927 (which, as amended by section nine of the Finance (No. 2) Act, 1939, provides for the reduction of the tax remaining chargeable after the allowance of other reliefs by a sum equal to one half the amount so remaining chargeable or one half the tax on one hundred and sixty-five pounds, whichever is the less) shall have effect as if for the words "one half", in both places where they occur, there were substituted the words "seven seventeenths".

(2) Subsection (2) of section fifteen of the Finance Act, 1925 (which, as amended by the said section nine, provides that where an individual or his wife is of the age of sixty-five years or upwards and his total income exceeds five hundred pounds, the tax payable by him shall not exceed a sum equal to the aggregate of the amount of tax which would have been payable if his total income had amounted to but had not exceeded five hundred pounds and one half of the amount by which his total income exceeds five hundred pounds) shall have effect as if for the words "one half" there were substituted the words "three quarters".

(3) Subsection (2) of section nineteen of the Finance Act, 1935 (which, as amended by the said section nine, provides that the tax payable by an individual whose total income is less than one hundred and forty pounds shall not exceed three eighths of the amount by which his total income exceeds one hundred and twenty

pounds) shall have effect as if for the words "three eighths" there were substituted the words "one half".

(4) The amendments made by this section shall have effect as respects the year 1940–41 and subsequent years.

9.—(1) As respects the year 1940–41, and any subsequent year for which the standard rate of income tax exceeds seven shillings in the pound, section thirty-two of the Income Tax Act, 1918 (which relates to relief in respect of life insurance premiums) shall have effect, in relation to premiums paid for any such insurance or contract as is mentioned in paragraph (*a*) of subsection (1) of that section or section twenty of the Finance Act, 1932, as if the standard rate were seven shillings in the pound.

(2) As respects the year 1940–41 and subsequent years, no allowance shall be made under the said section thirty-two in respect of the amount, if any, by which the premiums or other sums in respect of which relief is claimed exceed the claimant's taxable income, that is to say, his total income less any amount on which he is, by virtue of subsection (1) of section forty of the Finance Act, 1927, entitled to relief by way of a deduction of tax.

(3) Where an assurance company carrying on life assurance business claims and proves to the satisfaction of the Commissioners of Inland Revenue that it has for the year 1940–41, or any subsequent year for which the standard rate of income tax exceeds seven shillings and sixpence in the pound, borne tax by deduction or otherwise in respect of income from investments held in connection with its life assurance business, the company shall be entitled to repayment of so much of the tax borne by it for the year in question as is equal to the amount by which—

(*a*) the tax borne by the company for that year in respect of such part of that income as, in the opinion of those Commissioners, belongs to, or is allocated to or reserved for, or expended on behalf of, policy holders;

exceeds—

(*b*) the tax which would have been so borne in respect of that part of that income if the standard rate of income tax for that year had been seven shillings and sixpence in the pound.

(4) For the purpose of the last foregoing subsection, the amount of tax which has been or would be borne by a company shall be taken to be the amount of tax which has been or would be so borne after the allowance of any relief to which the company is or would be entitled otherwise than under that subsection.

10. Where relief from income tax for the year 1940–41 has been given to any individual and the amount thereof is incorrect by reason of any amendment of the

Income Tax Acts made by the foregoing provisions of this Part of this Act then—

(*a*) if the relief was given by reduction of the amount of tax payable under an assessment made on that individual before the passing of this Act, the amount of tax payable shall, by virtue of this Act and without more, be treated as varied so as to give effect to that amendment; and

(*b*) if the relief was given otherwise than as aforesaid, any amount of relief so given in excess may, if not otherwise made good, be assessed under Case VI of Schedule D and recovered from that individual accordingly.

11.—(1) The Commissioners of Inland Revenue may by regulations make provision for the assessment and collection of tax chargeable under Schedule E, including in particular provision for requiring employers and other persons to deduct any tax so chargeable from any payments made by them (being payments of or on account of income which is chargeable with tax under that Schedule), and for making them accountable for any tax which they are so required to deduct; and any such regulations shall have effect notwithstanding anything in the Income Tax Acts:

Provided that the said regulations shall not affect the powers or duties of the general or other commissioners as respects the signing, allowance or rectification of assessments or determination of appeals.

(2) If any person fails to comply with any provision of the said regulations requiring him to furnish a return or other information, 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.

(3) Proceedings in England for the summary recovery as a civil debt of any tax charged under Schedule E may be brought at any time within one year from the time when the matter complained of arose.

12.—(1) In computing the amount of the profits or gains of any person for any purpose of the Income Tax Acts for the year 1940–41 or any subsequent year, no sum shall be deducted in respect of any payment made by him to which this section applies.

(2) No payment to which this section applies shall be included in computing—

(*a*) the expenses of management in respect of which relief may be claimed for any such year under section thirty-three of the Income Tax Act, 1918, (which relates to life assurance companies and others); or

(*b*) the cost of maintenance, repairs, insurance and management in respect of which relief may be claimed for any such year under Rule 8 of No. V of Schedule A.

(3) This section applies to any payment made by any person under any contract

or arrangement under which that person is, in the event of war damage, entitled or eligible, either absolutely or conditionally, to or for any form of indemnification, whether total or partial, and whether by way of a money payment or not, in respect of that war damage:

Provided that—

(*a*) where the payment is made in respect of the right or eligibility aforesaid and also in respect of other matters, the deduction or inclusion of so much of the payment as is properly attributable to the other matters shall not be disallowed by virtue only of subsection (1) or subsection (2) of this section; and

(*b*) this section shall not apply to any payment made under—

(i) any policy of insurance issued under Part II of the War Risks Insurance Act, 1939, or any similar enactment in force in any country outside the United Kingdom; or

(ii) any contract of marine insurance, or any contract of insurance of an aircraft, or any contract of insurance of goods in transit.

(4) In this section the expression "war damage" means loss or damage arising from action taken by an enemy of His Majesty, or action taken in combating such an enemy or in repelling an imagined attack by such an enemy, or action taken in anticipation or in consequence of an attack by such an enemy.

Part III.

Excess Profits Tax and National Defence Contribution.

13.—(1) Upon an application made with respect to any class of trades or businesses consisting in the getting of minerals or oil from any mine, oil well or similar natural source of a wasting nature, the Board of Referees may by order direct that in relation to trades or businesses of that class the references in section twenty-seven of the Finance Act, 1940, to six per cent. and eight per cent. and the references in subsection (9) of section thirteen of the Finance (No. 2) Act, 1939, to eight per cent. and ten per cent. shall be construed as if they were references to six, eight, or ten per cent., as the case may be, increased to such extent as may be specified in the order:

Provided that the Board—

(*a*) shall increase the said percentages only so far as they think necessary to allow for the consideration that, by reason of the wasting nature of the natural source in question, the benefit of capital expenditure incurred by the persons carrying on such trades or businesses may be exhausted at a greater rate than in the case of other classes of trades or businesses;

(*b*) shall not in any case increase the said percentages by more than a further four per cent.

(2) Where any such order has been made with respect to trades or businesses of any class, then, in the case of a trade or business part only of which falls within that class, the increased percentages shall be applicable to such extent as may be just, having regard to the extent to which the trade or business falls within that class.

(3) The powers of the Commissioners and the Board of Referees under section twenty-seven of the Finance Act, 1940, as applied by the Fifth Schedule to that Act, shall, in relation to any trade or business falling wholly or partly within any class with respect to which such an order as aforesaid has been made, include power to proceed as if the provisions of the said Fifth Schedule so applying the said section twenty-seven were adapted and modified to such extent, if any, as they may think necessary in order to enable effect to be given to the provisions of this section.

(4) This section shall apply to any sub-division of a class of trades or businesses based either on any special feature of the trades or businesses within that sub-division or on locality as it applies to a class of trades or businesses, in any case where the Board of Referees are of opinion that the sub-division can properly be dealt with separately.

(5) The provisions of this section shall have effect with respect to all chargeable accounting periods, whether before or after the passing of this Act.

14.—(1) No deduction in respect of any interest, annuity or other annual payment shall, by virtue of paragraph 4 of Part I of the Seventh Schedule to the Finance (No. 2) Act, 1939, or paragraph 4 of the Fourth Schedule to the Finance Act, 1937, be allowed in computing the profits of a trade or business for the purposes of excess profits tax or the national defence contribution unless the interest, annuity or other annual payment would, on income tax principles, be an allowable deduction in computing profits but for the express provision contained in paragraph (*l*) of Rule 3 of the Rules applicable to Cases I and II of Schedule D that no deduction is to be made in respect of any annual interest or any annuity or other annual payment payable out of the profits or gains.

In this subsection, the expression "income tax principles" has the same meaning as it has for the purposes of subsection (1) of section fourteen of the Finance (No. 2) Act, 1939, and subsection (1) of section twenty of the Finance Act, 1937.

(2) The provisions of this section shall, as respects excess profits tax, have effect with respect to tax for all chargeable accounting periods, whether before or after the passing of this Act, and, as respects the national defence contribution, have effect with respect to all accounting periods beginning on or after the first day of

April, nineteen hundred and thirty-nine, and so much of any accounting period beginning before that date as falls on or after that date.

15. Section twelve of this Act (which, in relation to the computation of profits for income tax purposes for the year 1940–41 and subsequent years, forbids deductions for payments under certain contracts and arrangements for indemnification in respect of war damage) shall apply also to the computation of profits—

(*a*) for the purposes of excess profits tax for all chargeable accounting periods (whether bofore or after the passing of this Act); and

(*b*) for the purposes of the national defence contribution for all accounting periods beginning on or after the first day of April, nineteen hundred and thirty-nine, and so much of any accounting period beginning before that date as falls on or after that date.

Part IV.

Estate Duty.

16. In the case of persons dying after the twenty-third day of July, nineteen hundred and forty, the scale set out in the Sixth Schedule to this Act shall be substituted for the scale set out in the Second Schedule to the Finance Act, 1930, as the scale of rates of estate duty, and section twenty-three of the Finance (No. 2) Act, 1939, shall not apply.

17.—(1) Subject to the provisions of subsection (2) of this section, where an interest in expectancy in any property has, whether before or after the passing of this Act, been bona fide sold or mortgaged for full consideration in money or money's worth, and the rates of estate duty in force in the case of a person dying when the interest falls into possession are higher than the rates in force in the case of a person dying at the time of the sale or mortgage, then—

(*a*) no other duty on that property shall be payable by the purchaser or mortgagee when the interest falls into possession than would have been payable if the rates of estate duty applicable had been the rates in force in the case of a person dying at the time of the sale or mortgage; and

(*b*) in the case of a mortgage, any higher duty payable by the mortgagor shall rank as a charge subsequent to that of the mortgagee.

(2) Subsection (1) of section fifty-six of the Finance Act, 1940 (which restricts the operation of the provisions of section three of the Finance Act, 1894, reiating to transactions for full consideration, in the case of such transactions with companies to which the said section fifty-six applies) shall apply for the purposes of the fore-going subsection as it applies for the purposes of the said section three.

(3) This section shall apply in the case of interests in expectancy falling into possession after the twenty-third day of July, nineteen hundred and forty.

Part V.

Purchase Tax.

General Provisions as to Purchase Tax.

18.—(1) A tax, to be called purchase tax, shall be charged, subject to and in accordance with the provisions of this Part of this Act, on the wholesale value of all chargeable goods bought under chargeable purchases.

(2) The following purchases, with the exception of purchases of goods by a registered wholesale merchant as stock for his business or by a registered manufacturer as materials, shall be chargeable purchases, that is to say—

(*a*) any purchase, made from a wholesale merchant or manufacturer (other than one who is not required by this Act to be registered) selling by wholesale, of goods which either—

(i) are in the United Kingdom at the time of the purchase, or

(ii) in the case of a purchase of unascertained goods, are in the United Kingdom at the time when the goods are appropriated to the purchase, or

(iii) having been imported into the United Kingdom are entered for home use by or on behalf of the seller under the purchase;

(*b*) in the case of goods imported into the United Kingdom which are entered for home use by or on behalf of the buyer under a purchase made before the goods are so entered, that purchase; and

(*c*) in the case of goods imported into the United Kingdom and entered for home use and not being the subject of a purchase which is a chargeable purchase under either of the two preceding paragraphs, the earliest purchase thereof made on or after their being so entered:

Provided that a purchase of goods imported into the United Kingdom but not entered for home use shall not be a chargeable purchase under paragraph (*a*) of this subsection.

A purchase which is a chargeable purchase by virtue only of paragraph (*b*) of this subsection is in this Part of this Act referred to as an "importer's purchase."

(3) Tax shall be chargeable in respect of chargeable goods bought under a chargeable purchase notwithstanding that the purchase was made before the passing of this Act, but, except as provided by section thirty-seven of this Act, no tax shall be chargeable in respect of any goods by reason of their being bought under any purchase if the goods—

(*a*) in the case of a purchase other than an importer's purchase, have been delivered thereunder before such date as may be specified as the date for the coming into operation of the tax in an order made by the Treasury and approved (whether before, on, or after that date) by a resolution of the Commons House of Parliament; or

(*b*) in the case of an importer's purchase, have been entered for home use before that date.

19.- (1) Chargeable goods are goods falling within any of the classes specified in the first or second column of the Seventh Schedule to this Act and not falling within any of the classes specified in the third column of that Schedule.

(2) The Treasury may from time to time issue lists more particularly defining goods which are to be taken as falling within any class of goods specified in the Seventh Schedule to this Act, and may at any time withdraw a list so issued or issue a new list in substitution therefor, and shall publish any list so issued, and notice of the withdrawal of any such list, in such manner as they think best for informing persons appearing to them to be likely to be affected.

A draft of any list proposed to be issued under this subsection shall be laid before the Commons House of Parliament and, if that House, within twenty-eight days from the date on which the draft is laid before it, by resolution disapproves the draft, the list shall not be issued, but subject as aforesaid it may be issued not earlier than the expiration of that period and shall, from the date of its issue and until withdrawn or superseded by the issue of a substituted list, be conclusive as to the interpretation of the provisions of the said Schedule to which it relates.

(3) The tax shall be charged at the following rate, that is to say,—

(*a*) in the case of goods falling within any of the classes specified in the first column of the Seventh Schedule to this Act and not falling within any of the classes specified in the second column of that Schedule, the basic rate, which shall be one-third of the wholesale value of the goods;

(*b*) in the case of goods falling within any of the classes specified in the second column of the said Schedule, the reduced rate, which shall be one-sixth of the wholesale value of the goods.

20.—(1) The Treasury shall have power from time to time by order—

(*a*) to direct that the tax shall become chargeable, either at the basic rate or at the reduced rate, in respect of goods of any class in respect of which it is not for the time being chargeable, or that the tax shall cease to be chargeable in respect of goods of any class in respect of which it is for the time being chargeable;

(*b*) to direct that the reduced rate shall be substituted for the basic rate, or the basic rate for the reduced rate, as the rate of the tax chargeable in respect of goods of any class in respect of which it is for the time being chargeable;

(*c*) to make such amendments in the Seventh Schedule to this Act as are consequential on a direction given under either of the preceding paragraphs.

(2) Where the Treasury propose to make an order under this section they shall publish, in such manner as they think best for informing persons appearing to them to be likely to be affected, notice of the proposal indicating generally the class of goods proposed to be dealt with by the order and the nature of the direction proposed to be given thereby, and the order shall not be made earlier than the expiration of fourteen days from the first publication of the notice.

(3) An order this section shall specify a date for its coming into operation and shall have effect, subject as provided in subsection (4) of this section, in respect of goods of the class to which it relates—

(*a*) delivered on or after the specified date, if the purchase under which the goods are bought is other than an importer's purchase, or

(*b*) entered for home use on or after the specified date, if the purchase is an importer's purchase.

(4) An order under this section shall not have effect unless it is approved (either before, on, or after the specified date) by a resolution of the Commons House of Parliament.

21.—(1) The wholesale value of any goods in respect of which tax is chargeable shall be taken to be the price which in the opinion of the Commissioners the goods would fetch, on a sale made at the time when the tax in respect of the goods becomes due by a person selling by wholesale in the open market in the United Kingdom to a retail trader carrying on business in the United Kingdom only, if no tax were chargeable in respect of the sale and it were made in the circumstances specified in the Eighth Schedule to this Act.

(2) If, in ascertaining the amount of tax for which any person is accountable, any dispute arises as to the wholesale value of any goods, the question shall be referred to the arbitration of a referee appointed by the Lord Chancellor, who shall not be an official of any Government Department, and the decision of the referee with respect to the matter in dispute shall be final and conclusive:

Provided that this subsection shall not have effect, and tax shall be chargeable on the wholesale value of the goods as fixed by the Commissioners, unless, within the prescribed period from the time when the Commissioners' opinion as to the wholesale

value of the goods has been communicated to the person accountable or within such further period as they may allow, notice requiring a reference thereunder has been served on the Commissioners, and that person has deposited with them tne amount of the tax appearing on the basis of their opinion to have become due.

(3) If the amount of the tax chargeable on the basis of the wholesale value of any goods as determined on a reference under the last preceding subsection is less than the amount deposited with the Commissioners thereunder the excess shall be repaid.

Ancillary Provisions as to Purchase Tax.

22.—(1) The person accountable for tax chargeable shall—

(*a*) where the purchase by virtue of which it is chargeable was made from a wholesale merchant or a manufacturer, be the seller under that purchase;

(*b*) where that purchase was made otherwise than from a wholesale merchant or a manufacturer, and is a chargeable purchase by virtue of paragraph (*b*) or (*c*) of subsection (2) of section eighteen of this Act, be the person by whom or on whose behalf the goods are entered for home use.

(2) Tax chargeable in respect of any goods shall become due—

(*a*) where the purchase by virtue of which it is chargeable is other than an importer's purchase, on the delivery of the goods under the purchase;

(*b*) where the purchase by virtue of which it is chargeable is an importer's purchase, on the goods being entered for home use.

23.—(1) Every wholesale merchant whose business includes the selling of any chargeable goods, and every manufacturer whose business includes the selling of any chargeable goods, shall be registered under this Part of this Act:

Provided that a person shall not be registered by reason of his being such a merchant or such a manufacturer or both if the gross takings from his sales of chargeable goods (excluding in the case of such a manufacturer who is not also such a merchant any sales by retail of goods not made by him) have not on the average exceeded two thousand pounds per annum, or in the case of a business recently commenced are unlikely so to do.

(2) A manufacturer who is not required by the preceding subsection to be registered under this Part of this Act shall be registered thereunder if he satisfies the Commissioners in the prescribed manner that he uses chargeable goods in substantial quantities as materials.

(3) Every person carrying on business in such circumstances that he is required

under subsection (1) of this section to be registered shall make an application for registration in the prescribed form the Commissioners—

(*a*) if he is carrying on business in such circumstances as aforesaid at the passing of this Act, before such date as may be prescribed; or

(*b*) if he begins to carry on business in such circumstances as aforesaid, or if the circumstances of a business carried on by him become such as aforesaid, after the passing of this Act, before the expiration of fourteen days from the date when he begins so to carry on business, or when the circumstances of his business become such as aforesaid, as the case may be.

(4) Where a wholesale merchant or manufacturer who is by virtue of the proviso to subsection (1) of this section not for the time being registered becomes aware, or has reasonable cause for believing, that such a change in the circumstances of his business has occurred as to render that proviso no longer applicable to him, he shall forthwith give information to the Commissioners of the change.

(5) If any person fails to comply with any of the requirements of either of the two last preceding subsections, he shall be liable to a penalty of one hundred pounds and to a further penalty of ten pounds for each day during which the failure continues.

(6) The Commissioners shall register every person who is required by this Part of this Act to be registered and shall, on his registration, issue to him a certificate thereof.

(7) Where a person who is registered ceases to be required by this Part of this Act to be registered the Commissioners shall cancel his registration.

(8) Not less than fourteen days before registering a person, otherwise than in accordance with an application for registration made by him, or cancelling the registration of a registered person, the Commissioners shall serve notice on him of their intention to register him or to cancel the registration, as the case may be.

(9) The Treasury may by order direct that the proviso to subsection (1) of this section shall have effect with the substitution, for the amount of two thousand pounds per annum therein mentioned, of such larger or smaller amount as may be specified in the order, and may from time to time vary an order so made:

Provided that an order made under this subsection shall not have effect until it is approved by a resolution of the Commons House of Parliament.

24.—(1) A purchase shall be deemed to be a purchase of goods by a registered wholesale merchant as stock for his business, or by a registered manufacturer as materials, if a representation is made to the seller in the prescribed manner and at

the prescribed time by the buyer that he is the holder of a certificate of registration issued under this Part of this Act and that he intends to sell the goods or to use them as materials, and not otherwise:

Provided that, in the case of a purchase made—

(*a*) by a registered person, otherwise than in the United Kingdom, or

(*b*) by a person required to be registered, before the date on which he is so registered,

the purchase shall be deemed to be such a purchase as aforesaid if the Commissioners are satisfied, on a representation to that effect made to them, that the purchase was made as mentioned in paragraph (*a*) or (*b*) of this proviso and that the buyer intended to sell the goods or to use them as materials.

(2) If any person for the purposes of the preceding subsection makes a false representation as to his intention to sell goods or to use them as materials, he shall be liable to a penalty of five hundred pounds, so however that the court may, if it thinks fit, in lieu of ordering him to pay the said penalty order him to be imprisoned for a term not exceeding two years.

(3) If any person for the purposes of subsection (1) of this section falsely represents that he is the holder of a certificate of registration issued under this Part of this Act or that he is registered thereunder or is required so to be, the amount of any tax which would have been chargeable in respect of the purchase in question if the representation had not been made to the seller, or had not been acted on by the Commissioners, as the case may be, shall be recoverable from that person in like manner as if it had been chargeable and he had been accountable therefor, without prejudice to any punishment to which he is liable under section thirty-five of this Act.

35.—(1) Where a wholesale merchant or manufacturer who is required by this Act to be registered appropriates or applies any chargeable goods in his ownership, the property in which he acquired under a purchase of goods as stock for his business or as materials, or, in the case of a manufacturer, any chargeable goods which have been made by him or which are the result of a process applied by him, either—

(*a*) to the purposes of any business carried on by him of selling chargeable goods by retail (otherwise than to registered manufacturers as materials), or

(*b*) to the purposes of any business carried on by him of letting out chargeable goods on hire, or

(*c*) to any other purpose not being a sale of the goods under a purchase which is a chargeable purchase or a sale of the goods to a registered wholesale merchant as stock for his business or to a registered manufacturer as materials,

the appropriation or application shall be treated for the purposes of this Part of this Act as if it were a chargeable purchase, he shall be accountable for the tax chargeable in respect of the goods, and the tax shall become due at the time of the appropriation or application.

(2) A registered wholesale merchant or manufacturer who carries on any business of selling chargeable goods by retail, or of letting out chargeable goods on hire, shall keep such records as the Commissioners may require him to keep and in such form as they may require, and if he fails so to do he shall be guilty of an offence against this Part of this Act.

26.—(1) Where the Commissioners are satisfied that a person makes, for the purposes of a business of selling by retail carried on by him, purchases of chargeable goods which in value and character are such as in the ordinary course of trade are made by wholesale merchants, he shall be registered under this Part of this Act.

(2) This Part of this Act, other than the provisions of subsections (1) to (5) of section twenty-three of this Act, shall have effect in relation to a person required by this section to be registered as it has effect in relation to a wholesale merchant, and references in this Part of this Act to a wholesale merchant shall be construed accordingly.

27. The seller of chargeable goods under a chargeable purchase made in the United Kingdom after the date specified for the coming into operation of the tax in an order approved under subsection (3) of section eighteen of this Act shall add to any invoice or similar document delivered by him to the buyer a statement indicating the amount due from the buyer to the seller by reference to tax for which the seller may be accountable in respect of the purchase.

28.—(1) Where in respect of goods bought under a purchase made before the date on which approval is given by the Commons House of Parliament to an order specifying the date for the coming into operation of the tax, or directing that the tax shall become chargeable in respect of goods of a class within which those goods fall, or that the basic rate shall be substituted for the reduced rate in respect of such goods, any tax which would not have been chargeable if the order had not been approved becomes chargeable, or any tax which would have been chargeable at the reduced rate if the order had not been approved becomes chargeable at the basic rate, the seller may, in the absence of agreement to the contrary, recover, as an addition to the consideration, a sum equal to the amount of the tax chargeable in respect of the goods, or of the excess of that amount over what it would have been if the order had not been approved, as the case may be.

(2) Where in respect of goods bought under a purchase made before the date on

which approval is given by the Commons House of Parliament to an order directing that the tax shall cease to be chargeable in respect of goods of a class within which those goods fall, or that the reduced rate shall be substituted for the basic rate in respect of such goods, any tax which would have been chargeable if the order had not been approved does not become chargeable, or any tax which would have been chargeable at the basic rate if the order had not been approved becomes chargeable at the reduced rate, the buyer may, in the absence of agreement to the contrary and if the seller has had in respect of the goods the benefit of the tax not becoming chargeable or becoming chargeable at the reduced rate, deduct from the consideration a sum equal to the amount which would have been the amount of the tax chargeable in respect of the goods if the order had not been approved, or to the amount by which the tax chargeable in respect of the goods is less than it would have been in that event, as the case may be.

29.—(1) Where goods bought under a purchase which is a chargeable purchase by virtue of paragraph (*a*) of subsection (2) of section eighteen of this Act, or goods appropriated or applied as mentioned in section twenty-five of this Act, are shown to the satisfaction of the Commissioners to have been exported from the United Kingdom by the seller under the purchase, or by the person by whom the goods were so appropriated or applied, as the case may be, the tax which apart from this provision would be chargeable in respect of the goods shall not be chargeable.

(2) The Treasury may by order give such directions as they think proper for the payment, on the exportation from the United Kingdom of goods of any class specified in the order by a person not being a registered wholesale merchant or manufacturer, or by such a wholesale merchant or manufacturer who has bought the goods otherwise than as stock for his business or as materials, of an allowance for tax paid or payable in respect of the goods exported or of goods of any class specified in the order used by that person in making the goods exported, where it is shown to the satisfaction of the Commissioners—

(*a*) that that person bought from such a wholesale merchant or manufacturer selling by wholesale, or imported into the United Kingdom, the exported goods or goods of the specified class used by him in making the exported goods;

(*b*) that there has been a chargeable purchase of the exported goods, or of the goods used in making them, as the case may be, and that the tax chargeable in respect thereof has been, or will be paid; and

(*c*) that the exported goods have not been used.

(3) The amount of an allowance to be paid under the last preceding subsection shall be either (as may be provided by the order)—

(*a*) the amount of the tax referred to in paragraph (*b*) of that subsection; or

(*b*) an amount calculated in accordance with provisions in that behalf of the order, which provisions shall be such as will in the opinion of the Treasury secure that the aggregate of the amounts of allowances paid in respect of goods of any class shall not exceed the aggregate of the amounts chargeable by way of tax in respect of goods of that class.

(4) An order made under this section may be varied or revoked by a subsequent order made by the Treasury.

(5) In this section references to the exportation of goods from the United Kingdom include references to the shipment of goods as ships' stores.

Administration and collection of the tax.

30.—(1) The tax shall be under the care and management of the Commissioners.

(2) The Commissioners may do all such acts as may be deemed necessary and expedient for raising, collecting, receiving, and accounting for the tax in the like and as full and ample a manner as they are authorised to do with relation to any duties under their care and management.

(3) All money and securities for money collected or received in Great Britain for or on account of the tax shall be placed to the general account of the Commissioners kept at the Bank of England under section twenty-one of the Customs Consolidation Act, 1876.

31.—(1) Tax becoming due shall be accounted for and paid in accordance with regulations made under this Part of this Act.

(2) Tax shall be recoverable as a debt due to His Majesty from the person accountable therefor, and, where the aggregate amount of tax payable by a person accountable therefor at the time of the commencement of proceedings for the recovery thereof is less than fifty pounds, that tax may, without prejudice to any other mode of recovery thereof, be recovered by the Commissioners from that person summarily as a civil debt.

(3) On the entry for home use of any chargeable goods imported into the United Kingdom, the Commissioners may require security to be given to them for any tax which may become chargeable in respect thereof by reason of their being bought under a purchase which is a chargeable purchase by virtue of paragraph (*c*) of subsection (2) of section eighteen of this Act.

(4) On the entry for home use of any goods in respect of which tax then becomes due, or in respect of which the Commissioners require security to be given

under the last preceding subsection, the entry shall not be signed by the proper officer of customs and excise unless the proper tax is paid, or the security required is given, as the case may be, in accordance with regulations made under this Part of this Act.

32. Where a person who is a accountable for any tax, or on whom any duties are imposed by this Part of this Act or regulations made thereunder, is not resident in the United Kingdom, the Commissioners may, by notice in writing served on any agent, manager or factor, who is resident in the United Kingdom and has acted on behalf of that person in the matters by reference to which that person is accountable or those duties are imposed, direct that he shall be substituted for that person as the person accountable for the tax or that he shall be under an obligation to discharge those duties or any of them.

Miscellaneous Provisions as to Purchase Tax.

33.—(1) The Commissioners may make regulations providing for any matter for which provision appears to them to be necessary for the purpose of giving effect to the provisions of this Part of this Act and of enabling them to discharge their functions thereunder. and in particular, but without prejudice to the generality of the preceding words,—

(*a*) for ascertaining all chargeable purchases and all such appropriations and applications as are mentioned in section twenty-five of this Act, and the amounts of tax chargeable by virtue thereof, and for requiring security for the payment of tax;

(*b*) for imposing upon persons who appear to the Commissioners to be carrying on a business which consists of or includes that of a wholesale merchant or manufacturer, or the making of such purchases as are mentioned in section twenty-six of this Act, the duty to furnish to the Commissioners within such period as may be prescribed information in the prescribed form of any facts relevant for determining whether such persons ought to be registered or the matters in respect of which they ought to be registered or of any other facts relating to the business;

(*c*) for imposing upon registered persons, and upon such other persons as may be prescribed in relation to registered persons who have died or become subject to any incapacity, the duty to furnish to the Commissioners within such period as may be prescribed information in the prescribed form of any facts by virtue of which their registrations ought to be varied or cancelled;

(*d*) for enabling persons to be treated as registered wholesale merchants or

manufacturers during a limited period by way of representation of registered wholesale merchants or manufacturers who have died or become subject to any incapacity;

(*e*) as to the form, issue, continuance in effect, variation, custody, use, and surrender, of certificates of registration;

(*f*) for requiring registered persons to keep accounts, and to make returns of purchases made from or by them, and of any appropriations or applications such as are mentioned in section twenty-five of this Act made by them, and of the amounts of tax for which they are accountable, in respect of such periods, in such form and containing particulars with respect to such matters, as may be prescribed, and to pay the amounts of tax appearing by the returns to be due from them at such times as may be prescribed;

(*g*) for authorising distress to be levied on the goods and chattels of a person neglecting or refusing to pay, in accordance with regulations made under the last preceding paragraph, tax which he is thereby required to pay, and for applying and adapting, with or without modification, to the levying of distress under regulations made under this paragraph any of the provisions of subsections (2) to (5) of section one hundred and sixty-two of the Income Tax Act, 1918;

(*h*) for requiring any persons concerned with the purchase or importation of goods or dealings with imported goods to furnish to the Commissioners within such time and in such form as they may require such information relating to to the goods or to the purchase or importation thereof or dealings therewith as they may specify, and to produce for inspection any books or accounts or other documents of whatever nature relating thereto;

(*i*) for applying and adapting, with or without modification, to the tax and to repayments and allowances, and to registered persons, any enactment relating to any duty or drawback of excise or customs or to persons carrying on any trade subject to the law of excise;

(*j*) for prescribing anything which by this Part of this Act is required or authorised to be prescribed.

(2) If any person contravenes or fails to comply with any of the requirements of regulations made under this Part of this Act he shall be guilty of an offence against this Part of this Act.

34.—(1) Regulations made by the Commissioners under this Part of this Act, and any order made by the Treasury under section twenty-nine of this Act, shall be laid before the Commons House of Parliament as soon as may be after the making

thereof, and if that House within twenty-eight days from the date on which any such regulations or order are or is laid before it resolves that the regulations or order be annulled, the regulations or order shall thereupon cease to have effect but without prejudice to anything previously done thereunder or to the making of new regulations or a new order.

(2) In reckoning any period of twenty-eight days specified in this Part of this Act in relation to the laying of orders, regulations or lists, before the Commons House of Parliament, no account shall be taken of any time during which Parliament is dissolved or prorogued or during which the said House is adjourned for more than four days.

35.—(1) Any person guilty of an offence against this Part of this Act in respect of which no other penalty is therein specified shall be liable to a penalty of fifty pounds.

(2) If, with intent to deceive, any person, for the purposes of this Part of this Act or of regulations made thereunder, produces, furnishes, sends or otherwise makes use of, any book, account, estimate, return, or other document, which is false in a material particular, he shall be liable to a penalty of five hundred pounds.

(3) If, in furnishing any information for the purposes of this Part of this Act or of regulations made thereunder, any person makes any statement which he knows to be false in a material particular, or recklessly makes any statement which is false in a material particular, he shall be liable to a penalty of five hundred pounds.

(4) If, with intent to deceive, any person counterfeits, or uses, or lends to, or allows to be used by, any other person, a certificate of registration issued under this Part of this Act, or makes or has in his possession any document so closely resembling such a certificate as to be calculated to deceive, he shall be liable to a penalty of five hundred pounds.

(5) The court may, if it thinks fit, in lieu of ordering a person who is liable to a penalty under subsection (2) (3) or (4) of this section to pay that penalty, order him to be imprisoned for a term not exceeding two years.

36. The provisions of the Ninth Schedule to this Act shall have effect in relation to the enforcement of this Part of this Act and in relation to the service of notices thereunder.

37. If the Commissioners are satisfied that chargeable goods have been delivered, entered for home use, or appropriated or applied as mentioned in section twenty-five of this Act, in the course of any business during the period between the second day of July, nineteen hundred and forty, and the date specified for the coming into operation of the tax in an order approved under subsection (3) of section eighteen

of this Act on a scale or in a manner not in accordance with the ordinary practice of the business, the Commissioners, may, as respects all or any of those goods, by notice in writing served on the person who, if they had been delivered, or so entered, appropriated or applied, after the date of the coming into operation of the tax, would have been accountable for the tax chargeable in respect thereof, direct that the tax shall be chargeable as if they had been delivered, or so entered, appropriated or applied, after that date.

38. In the application of this Part of this Act to Scotland—

(*a*) for any reference to the levying of distress on goods and chattels there shall be substituted a reference to execution by the poinding of goods and effects; and for any reference to subsections (2) to (5) of section one hundred and sixty-two of the Income Tax Act 1918 there shall be substituted a reference to section one hundred and sixty-six of the said Act;

(*b*) subsection (2) of section twenty-one shall, in any case where the person accountable for the tax has his principal place of business in Scotland, have effect as if for the reference to the Lord Chancellor there were substituted a reference to the Lord President of the Court of Session.

39.—(1) In the application of this Act to Northern Ireland subsection (2) of section twenty-one shall, in any case where the person accountable for the tax has his principal place of business in Northern Ireland, have effect as if for the reference to the Lord Chancellor there were substituted a reference to the Lord Chief Justice of Northern Ireland.

(2) The Government of Ireland Act, 1920, shall have effect as if the tax were one of the taxes mentioned in subsection (1) of section twenty-two of that Act (which relates to reserved taxes).

(3) Payment into the Exchequer of money and securities for money collected or received in Northern Ireland for or on account of the tax shall be made in such manner as the Treasury may direct.

40.—(1) If an Act of Tynwald is passed making in relation to the Isle of Man provision similar to the provision made by this Part of this Act in relation to the United Kingdom, His Majesty may by Order in Council make provision, in relation to goods removed from or into the Isle of Man into or from the United Kingdom, for securing that, so long as the said Act of Tynwald is in force and the classes of goods in respect of which tax is chargeable thereunder and the rates of tax so chargeable in respect of those classes of goods are the same respectively as the classes of goods in respect of which tax is chargeable under this Part of this Act and the rates of tax so chargeable in respect of those classes of goods,—

(*a*) such a removal shall not be treated for the purposes of either enactment as an importation or exportation of the goods;

(*b*) a purchase which would be a chargeable purchase under paragraph (*a*) of subsection (2) of section eighteen of this Act or under the corresponding provision of the said Act of Tynwald if all persons registered under either Act were registered under a single Act extending both to the United Kingdom and to the Isle of Man, and if for references in this Part of this Act to the United Kingdom and for references in the said Act of Tynwald to the Isle of Man there had been substituted references to the United Kingdom and the Isle of Man as a whole, shall be a chargeable purchase under one or other Act but not under both of them; and

(*c*) a purchase which in thet case would not be a chargeable purchase as aforesaid shall not be a chargeable purchase under either enactment;

and may direct that this Part of this Act and the said Act of Tynwald shall have effect subject to such modifications as may be requisite for giving effect to the purposes of the Order.

(2) An Order in Council made under this section may be varied or revoked by a subsequent Order in Council.

41.—(1) In this Part of this Act, unless the context otherwise requires, the following expressions have the meanings hereby assigned to them respectively, that is to say—

"the Commissioners" means the Commissioners of Customs and Excise;

"entered for home use" means entered for home consumption or home use in accordance with the enactments relating to the customs, and "entry" has a corresponding meaning;

"goods" has the same meaning as in the Sale of Goods Act, 1893;

"importer's purchase" has the meaning assigned to it by subsection (2) of section eighteen of this Act;

"manufacturer" means a person who carries on in the United Kingdom a business of making goods or of applying any process in the course of the making of goods, so however that for the purposes of this definition the making up of drugs according to a formula prescribed by reference to the needs of a particular patient shall not be regarded as the making of goods;

"materials" means, in relation to a manufacturer, goods to which some process is applied by him by way of business in the course of the making of goods, or which are used by him as aforesaid as parts of or accessories for the goods made;

"prescribed" means prescribed by regulations made under this Part of this Act;

"process" includes, in relation to the making of goods, the assembling of parts of the goods;

"purchase" means any contract which is a contract of sale within the meaning of the Sale of Goods Act, 1893, and also a contract similar to such a contract in other respects but made for a consideration wholly or partly in money's worth and not, or not only, in money, and includes any transaction, in whatsoever form expressed, in so far as its effect is in substance the same as the effect of such a contract as aforesaid, and references to goods being bought include, in relation to a purchase made for a consideration not, or not only, in money, and in relation to any such transaction as aforesaid, references to goods being acquired in any manner;

"selling by retail" means selling goods by way of business otherwise than by wholesale, and "retail trader" means a person who sells by retail and not otherwise;

"selling by wholesale" means selling goods of any class to a person who carries on a business of selling goods that class;

"selling goods to a manufacturer as materials" means selling goods of any class to a manufacturer who uses goods of that class as materials;

"tax" means tax chargeable by virtue of this Part of this Act;

"wholesale merchant" means a person who carries on in the United Kingdom a business of selling by wholesale goods bought by him, and includes a person who carries on in the United Kingdom a business of selling to manufacturers as materials goods bought by him.

(2) For the purposes of this Part of this Act, if at the time when a purchase is made the buyer is in possession of the goods bought thereunder, or of part thereof, delivery of the goods, or of that part thereof, as the case may be, under the purchase shall be deemed to have taken place on the making of the purchase.

(3) For the purposes of this Part of this Act, a person shall be deemed to make goods, or to apply a process, if the goods are made, or the process is applied, by another person to his order under any form of contract other than a purchase.

Part VI.

General.

42.—(1) This Act may be cited as the Finance (No. 2) Act, 1940.

(2) Part I of this Act—

(*a*) so far as it relates to duties of customs, shall be construed as one with the Customs Consolidation Act, 1876, except that the expression "United Kingdom" shall not include the Isle of Man; and

(*b*) so far as it relates to duties of excise, shall be construed as one with the Acts which relate to the duties of excise and to the management of those duties;

and in the said Part I the expression "the Commissioners" means the Commissioners of Customs and Excise.

(3) Part II of this Act shall be construed as one with the Income Tax Acts.

(4) Part III of this Act shall, so far as it relates to excess profits tax, be construed as one with Part III of the Finance (No. 2) Act, 1939.

(4) Part IV of this Act shall be construed as one with Part I of the Finance Act, 1894.

(6) Any reference in this Act to any other enactment shall, unless the context otherwise requires, be construed as a reference to that enactment as amended by any subsequent enactment, including this Act.

(7) Such of the provisions of this Act as relate to entertainments duty and estate duty shall not extend to Northern Ireland.

(8) The enactments set out in the Tenth Schedule to this Act are hereby repealed to the extent mentioned in the third column of that Schedule:

Provided that the repeal of any enactment relating to entertainments duty shall not take effect until the sixth day of October, nineteen hundred and forty.

SCHEDULES.

FIRST SCHEDULE.

BEER (RATES OF DUTY AND DRAWBACK).

PART I.

Rate of Excise Duty.

	£	s.	d.
For every 36 gallons of worts of a specific gravity of 1,027 degrees or less	4	1	0
For every 36 gallons of worts of a specific gravity exceeding 1,027 degrees—			
For the first 1,027 degrees	4	1	0
For every additional degree in excess of 1,027 degrees	0	3	0

and so in proportion for any less number of gallons.

PART II.

Rate of Excise Drawback.

For every 36 gallons the worts whereof were, before fermentation, of a specific gravity of 1,027 degrees or less	4	1	2
For every 36 gallons the worts whereof were, before fermentation, of a specific gravity exceeding 1,027 degrees—			
For the first 1,027 degrees	4	1	2
For every additional degree in excess of 1,027 degrees	0	3	0

and so in proportion for any less number of gallons.

As respects beer the worts whereof were, before fermentation, of a specific gravity of less than 1,027 degrees, the amount of drawback allowable shall not exceed by more than twopence for every 36 gallons the amount of duty which is shown to the satisfaction of the Commissioners to have been paid.

PART III.

Rate of Customs Duty in case of Beer being an Empire Product.

	£	s.	d.
For every 36 gallons the worts whereof were, before fermentation, of a specific gravity of 1,027 degrees or less...	4	1	5
For every 36 gallons the worts whereof were, before fermentation, of a specific gravity exceeding 1,027 degrees—			
For the first 1,027 degrees	4	1	5
For every additional degree in excess of 1,027 degrees	0	3	0

and so in proportion for any less number of gallons.

PART IV.

Rate of Customs Duty in case of Beer not being an Empire Product.

	£	s.	d.
For evey 36 gallons the worts whereof were, before fermentation, of a specific gravity of 1,027 degress or less	5	1	5
For every 36 gallons the worts whereof were, before fermentation, of a specific gravity exceeding 1,027 degrees—			
For the first 1,027 degrees	5	1	5
For every additional degree in excess of 1,027 degrees	0	3	0

and so in proportion for any less number of gallons.

PART V.

Rate of Customs Drawback in case of Beer being an Empire Product.

	£	s.	d.
For every 36 gallons the worts whereof were, before fermentation, of a specific gravity of 1,027 degrees or less	4	1	2

For every 36 gallons the worts whereof were, before fermentation, of a specific gravity exceeding 1,027 degrees—

For the first 1,027 degrees	4	1	2
For every additional degree in excess of 1,027 degrees	0	3	0

and so in proportion for any less number of gallons.

As respects beer the worts whereof were, before fermentation, of a specific gravity of lees than 1,027 degrees, the amount of drawback allowable shall not exceed the amount of duty which is shown to the satisfaction of the Commissioners to have been paid, less threepence for every 36 gallons.

Part VI.

Rate of Customs Drawback in Case of Beer not being an Empire Product.

	£	s.	d.
For every 36 gallons the worts whereof were, before fermentation, of a specific gravity of 1,027 degrees or less	5	1	2
For every 36 gallons the worts whereof were, before fermentation, of a specific gravity exceeding 1,027 degrees—			
For the first 1,027 degrees	5	1	2
For every additional degree in excess of 1,027 degrees	0	3	0

and so in proportion for any less number of gallons.

As respects beer the worts whereof were, before fermentation, of a specific gravity of less than 1,027 degrees, the amount of drawback allowable shall not exceed the amount of duty which is shown to the satisfaction of the Commissioners to have been paid, less threepence for every 36 gallons.

SECOND SCHEDULE.

Wines (Rates of Customs Duty).

Part I.

Non-Empire Products.

Description of Wine.	Rate of duty per gallon. s.	d.
Not exceeding 25 degrees proof spirit	8	0
Exceeding 25 degrees proof spirit and not exceeding 42 degrees proof spirit	16	0
For every degree or fraction of a degree above 42 degrees proof spirit, an additional duty	1	4
Sparkling, an additional duty	12	6
Still, in bottle, an additional duty	2	0

Part II.

Empire Products.

Description of Wine.	Rate of duty per gallon. s.	d.
Exceeding 27 degrees proof spirit and not exceeding 42 degrees proof spirit	12	0
For every degree or fraction of a degree above 42 degrees proof spirit, an additional duty	1	0
Sparkling, an additional duty	6	3
Still, in bottle, an additional duty	1	0

THIRD SCHEDULE.

Tobacco (Rates of Duty and Drawback).

Part I.

Customs Duties.

Description of Tobacco.	Rate of duty per pound. £	s.	d.
Tobacco unmanufactured—			
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof—			
unstripped	0	19	6
stripped	0	19	6½
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof—			
unstripped	1	0	6
stripped	1	0	6½
Tobacco manufactured, viz.:—			
Cigars	1	8	1
Cigarettes	1	4	7
Cavendish or Negrohead	1	3	9
Cavendish or Negrohead manufactured in bond	1	2	0
Other manufactured tobacco	1	2	0
Snuff—			
containing more than 13 lbs. of moisture in every 100 lbs. weight thereof	1	1	4
containing not more than 13 lbs. of moisture in every 100 lbs. weight thereof	1	3	9

and so in proportion for any less quantity.

PART II.

Excise Duties.

Description of Tobacco.	Rate of duty per pound. s.	d.
Tobacco unmanufactured—		
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof	17	3½
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof	18	0⅞
Tobacco manufactured, viz.:—		
Cavendish or Negrohead manufactured in bond	19	4⅞

and so in proportion for any less quantity.

PART III.

Drawback.

Description of Tobacco.	Rate per pound. In respect of tobacco on which full customs duty has been paid. £ s. d.	In respect of tobacco on which customs duty at a preferential rate or excise duty has been paid. s. d.
Cigares	1 0 9	18 7
Cigarettes	1 0 6	18 4
Cut, roll, cake or other manufactured tobacco...	1 0 3	18 1½
Snuff (not being offal snuff)...	1 0 0	17 11
Stalks, shorts, or other refuse of tobacco, including offal snuff	0 19 9	17 8

FOURTH SCHEDULE.

ENTERTAINMENTS (RATES OF DUTY).

PART I.

Reduced Rates.

Amount of Payment.	Rate of Duty. d.
Where the amount of the payment, excluding the amount of duty—	
exceeds 3*d.* and does not exceed 11½*d.*	½
exceeds 11½*d.* and does not exceed 1*s.* 2*d.*	1
exceeds 1*s.* 2*d.* and does not exceed 1*s.* 7*d.*	2
exceeds 1*s.* 7*d.* and does not exceed 1*s.* 9½*d.*	2½
exceeds 1*s.* 9½*d.* and does not exceed 2*s.* 0*d.*	3
exceeds 2*s.* 0*d.* and does not exceed 2*s.* 2*d.*	4
exceeds 2*s.* 2*d.*	4*d.* for the first 2*s.* 2*d.* and 1*d.* for every 5*d.* or part of 5*d.* over 2*s.* 2*d.*

PART II.

Full Rates.

Amount of Payment.	Rate of Duty. d.
Where the amount of the payment, excluding the amount of duty—	
exceeds 3*d.* and does not exceed 5*d.*	½
exceeds 5*d.* and does not exceed 6¼*d.*	¾
exceeds 6¼*d.* and does not exceed 7*d.*	1
exceeds 7*d.* and does not exceed 7¾*d.*	1½
exceeds 7¾*d.* and does not exceed 8¾*d.*	2
exceeds 8¾*d.* and does not exceed 11*d.*	3
exceeds 11*d.* and does not exceed 1*s.* 2*d.*	4
exceeds 1*s.* 2*d.* and does not exceed 1*s.* 5*d.*	5
exceeds 1*s.* 5*d.*	5*d.* for the first 1*s.* 5*d.* and 2*d.* for every 6*d.* or part of 6*d.* over 1*s.* 5*d.*

FIFTH SCHEDULE.

PROVISIONS FOR GIVING EFFECT TO THE CHANGE IN THE STANDARD RATE OF INCOME TAX.

1. The amount of tax payable by virtue of any assessment made before the passing of this Act shall, by virtue of this Act and without more, be treated as varied to such extent as is necessary to give effect to the change in the standard rate:

Provided that this paragraph shall not apply in the case of income chargeable under Schedule C, under Rule 6 or Rule 7 of the Miscellaneous Rules applicable to Schedule D, or under Rule 21 of the General Rules.

2. In the case of such income as is mentioned in the proviso to paragraph 1 of this Schedule—

(*a*) any deficiency in the amount of tax deducted from any payment made before the first day of September, nineteen hundred and forty (being a deficiency arising by reason of the change in the standard rate made by this Act) shall, so far as possible, be made good by increasing the deduction required or authorised by law to be made from the next payment and, if necessary, the deductions required or authorised by law to be made from subsequent payments (being a payment or payments made after the passing of this Act and before the first day of September, nineteen hundred and forty-one), by an amount equal to the amount of the deficiency;

(*b*) the deficiency so made good shall be accounted for and assessed in the same manner as the tax deducted from the original payment;

(*c*) if and in so far as the deficiency is not so made good—

(i) the deficiency shall be charged under Case VI of Schedule D; and

(ii) the agent entrusted with the making of the payment, or the person by or through whom the payment was made, as the case may be, shall furnish to the Commissioners of Inland Revenue the name and address of the person to whom the payment was made and the amount of the payment upon a requisition made by those Commissioners in that behalf.

3. Subject, in any case where paragraph 2 of this Schedule applies, to the provisions of that paragraph, subsection (2) of section two hundred and eleven of the Income Tax Act, 1918 (which relates to the deduction of tax not deducted before the passing of the anunal Act) shall apply as if—

(*a*) this Act were the Act imposing the tax for the year; and

(*b*) a reference to the first day of September, nineteen hundred and forty were, so far as relates to any deficiency in the amount of tax deducted from any payment made after passing of this Act but before the date aforesaid, substituted for any reference to the passing of the Act imposing the tax for the year.

SIXTH SCHEDULE.

Scale of Rates of Estate Duty.

Principal Value of Estate.				Rate per cent. of Duty.
	£		£	
Exceeding	100	and not exceeding	500	1
„	500	„ „	1,000	2
„	1,000	„ „	5,000	3
„	5,000	„ „	10,000	4
„	10,000	„ „	12,500	6
„	12,500	„ „	15,000	7·2
„	15,000	„ „	18,000	8·4
„	18,000	„ „	21,000	9·6
„	21,000	„ „	25,000	10·8
„	25,000	„ „	30,000	12
„	30,000	„ „	35,000	13·2
„	35,000	„ „	40,000	14·4
„	40,000	„ „	45,000	15·6
„	45,000	„ „	50,000	16·8
„	50,000	„ „	55,000	19·5
„	55,000	„ „	65,000	20·8
„	65,000	„ „	75,000	22·1
„	75,000	„ „	85,000	23·4
„	85,000	„ „	100,000	24·7
„	100,000	„ „	120,000	26
„	120,000	„ „	150,000	28·6
„	150,000	„ „	200,000	31·2
„	200,000	„ „	250,000	33·8
„	250,000	„ „	300,000	36·4
„	300,000	„ „	400,000	39
„	400,000	„ „	500,000	41·6
„	500,000	„ „	600,000	44·2
„	600,000	„ „	800,000	46·8
„	800,000	„ „	1,000,000	49·4
„	1,000,000	„ „	1,250,000	52
„	1,250,000	„ „	1,500,000	54·6
„	1,500,000	„ „	2,000,000	58·5
„	2,000,000			65

SEVENTH SCHEDULE.

PURCHASE TAX (CHARGEABLE GOODS).

Goods chargeable at the basic rate.	Goods chargeable at the reduced rate.	Goods mentioned in the first or second column but not chargeable.
1. Garments or footwear made wholly or partly of fur skin (including any skin with fur, hair or wool attached) or silk (except silk used for the stitching of seams and buttonholes).	Garments or footwear, except as specified in the first or third column.	Garments or footwear of a kind suitable for young children's wear, except as specified in the first column.
		Protective boots designed for use by miners or quarrymen or moulders.
		Clogs.
Headgear, gloves and haberdashery, except protective helmets as specified in the third column.		Protective helmets designed for use by miners or quarrymen.
		Sewing thread and mending and knitting wool.
Patterns for making apparel.		
Umbrellas, sunshades, walking sticks and canes.		
2. Tissues and fabrics (other than jute fabric), whether in the piece, shaped or partly made up, except as specified in the third column.		Felt, bolting cloth, machinery belting, and heavy industrial canvas.
Oil baize, oil cloth, leather cloth.		
Textile articles of a kind used for domestic purposes, soft furnishings and bedding, and travelling rugs.		
Kapok, feathers and down, and other upholstery stuffing materials.		
Carpets, rugs, mats, linoleum, and other floor coverings.		
3. Fur skins (including any skin with fur, hair or wool attached), dressed.		

4. Articles of china, porcelain, earthenware, stoneware or other pottery ware of a kind used for domestic purposes, except as specified in the second or third column.	Articles of china, porcelain, earthenware, stoneware or other pottery ware, of a kind used in the preparation or serving of food or drink.	Sanitary ware.
5. Glassware of a kind used for domestic purposes, except as specified in the second column.	Glassware of a kind used in the preparation or serving of food or drink, not being cut glass.	
Glass articles, the following: mirrors (whether framed or not), shelves, finger plates, table tops and advertisement tablets (whether backed with other materials or not).		
Vacuum flasks and vacuum jars of a kind used for domestic purposes.		
6. Domestic and office furniture of all kinds (including wire and spring mattresses).		
7. Fittings of a kind used for interior domestic or office lighting, the following:		
Brackets, pendants, candelabra and electroliers,		
Lanterns,		
Shades, bowls, and reflectors,		
Lamp chimneys and other illuminating glassware,		
Table and floor standards (whether complete or not).		
Domestic cooking and heating appliances, and other appliances and apparatus of a kind used for domestic purposes.		
Portable lamps and hand torches of all descriptions, except as specified in the third column.		Hurricane lamps, ships' lanterns and miners' safety lamps.
Electric filament lamps (not exceeding 250 watts) and incandescent mantles; electric dry batteries of all kinds.		
Hair waving and hair drying machines.		
8. Cutlery suitable for domestic or personal use, and spoons, forks and similar articles suitable for domestic use.		

9. Articles of hardware and ironmongery of kinds used for domestic or office purposes, except as specified in the second column.	Enamelled hollow-ware and other iron and steel hollow-ware of a kind used for domestic purposes.				
Turnery of a kind used for domestic or office purposes, except as specified in the third column.		Household brooms and brushes.			
Lawn mowers and garden rollers, garden furniture and garden ornaments.					
10. Trunks, bags, wallets, jewel cases, pouches, purses, suitcases, and baskets, and similar receptacles of a kind used for personal or domestic purposes (whether fitted or not).					
11. Photographic cameras, except as specified in the third column.		Cinematograph cameras for film of standard width, and X-ray and other cameras suitable only for industrial, scientific or military use.			
Photographic enlargers.					
Projectors for sub-standard film or for slides.					
Lenses and other parts of, and accessories to, such cameras, enlargers or projectors as are mentioned in this column.					
Unexposed sensitised photographic paper, cloth, plates and film, except as specified in the third column.		X-ray plates, film and paper; cinematograph film of standard width; ferro-prussiate, ferro-gallic and dye-line paper and cloth.			
12. Musical instruments, including gramophones, pianolas and other similar instruments, and accessories to, and parts of musical instruments.					
Gramophone records, except as specified in the third column.		Gramophone records for the reproduction of speech, specially adapted for the use of the blind.			
Pianola records.					
Wireless receiving sets of the domestic or portable type, radio gramophones, and valves, batteries and accumulators suitable for use therewith.					

13. Clocks and watches, movements and cases for, and accessories to, clocks and watches, and watch chains, wristlet watch straps and similar articles.					
14. Toys and games (including coin or disc operated machines).					
Appliances, apparatus, accessories, and requisites, for sports, games, gymnastics or athletics (other than garments and footwear).					
15. Jewellery and imitation jewellery and other goldsmiths' and silversmiths' wares.					
Articles of all kinds made wholly or partly of ivory, amber, jet, coral, mother of pearl, natural shells, or tortoiseshell, or of jade, onyx, lapis lazuli or other semi-precious stones.					
16. Fancy or household goods made wholly or partly of celluloid, bakelite or other plastic material derived from cellulose, casein, papier maché or synthetic resin.					
Other fancy or ornamental articles of a kind suitable for personal or domestic use (including artificial flowers, photograph frames and paper weights).					
Ash trays, tobacco pipes, and other smokers' requisites, but not including matches and mechanical lighters.					
17. Toilet requisites of all kinds (including toilet brushes).					
18. Perfumery and toilet preparations (whether medicated or not) and soap made up for sale as toilet soap.					
19.			Drugs and medicines, manufactured or prepared, except as specified in the third column.	Essential drugs, of an exceptionally costly character (including insulin, liver extract and Active Principles of liver).	
20. Typewriters, dictaphones, calculating machines, and other office machinery.					
21. Paper manufactures, the following:					
Diaries, calendars, greeting cards, picture postcards, and similar articles,				Account books and plain books (whether ruled or not).	
Notepaper, and other stationery,					

	Handkerchiefs, face and hand towels, paper serviettes, and other articles of table or kitchen use, Wallpaper. Pencils, pens, fountain pens, ink, drawing pins, and other stationery and office requisites.	
22.	Pictures, prints, engravings, photographs, figures, busts, reliefs, vases, and similar articles, if produced in quantity for general sale.	
23.	Road vehicles and cycles (whether mechanically propelled or not) being vehicles and cycles constructed or adapted solely or mainly for the carriage of passengers, except as specified in the third column.	Tramcars, trolley vehicles, omnibuses, and charabancs. Ambulances, invalid carriages, and perambulators.
	Types, except as specified in the third column.	Pneumatic tyres of a sectional width of not less than five inches, being tyres not suitable for use on vehicles of the class mentioned in column one.

EIGHTH SCHEDULE.

Purchase Tax (Determination of wholesale value).

1. For the purpose of computing the price which goods to be valued fetch on such a sale as is mentioned in section twenty-one of this Act, the following circumstances shall be assumed.

2. It shall be assumed—

(*a*) that any commission or other costs, charges or expenses incidental to the making of the contract of sale are to be paid by the seller;

(*b*) that the price is to include the cost of delivery to the buyer at his place of business, and of insurance and other costs, charges and expenses incidental to such delivery;

(*c*) that the price is the sole consideration for the sale;

(*d*) that neither the seller nor any person associated in business with him has any interest, direct or indirect, in the subsequent re-sale or disposal of the goods; and

(*e*) that there has not been and will not be any commercial relationship between the seller and the buyer, whether created by contract or otherwise, other than that created by the sale.

3. Where the goods to be valued are goods made in accordance with a patented invention or are goods to which a registered design has been applied, it shall also be assumed for the purpose of computing the price aforesaid that the buyer under the sale mentioned in section twenty-one of this Act is not the patentee or the proprietor of the design and has not paid any sum or given any consideration by way of royalty or otherwise in respect of the patent or design and, on payment of the price, will be entitled to deal with the goods free from any restriction as regards the patent or design.

4. Where the seller under the purchase in relation to which the valuation is to be made is, or is associated in business with, the proprietor or a registered user of a trade mark registered in respect of the goods to be valued, or could have sold them under such a trade mark without infringing the right to the use of the trade mark given by the registration thereof, it shall also be assumed for the purpose of computing the price aforesaid that the sale mentioned in section twenty-one of this Act is a sale under that trade mark, unless it is shown to the satisfaction of the Commissioners that the goods to be valued have not at any time been, and security is given to the satisfaction of the Commissioners that they will not be, so sold by or on behalf of the seller under the said purchase or any person associated in business with him.

5. Where a particular form of get-up is used in the United Kingdom by any person in relation to goods of the class to which the goods to be valued belong, and the goods to be valued are the goods of that person. it shall also be assumed for the purpose of computing the price aforesaid that the sale mentioned in section twenty-one of this Act is a sale of the goods got-up in that form, unless it is shown to the satisfaction of the Commissioners that the goods to be valued have not at any time been, and security is given to the satisfaction of the Commissioners that they will not be, so sold by or on behalf of the seller under the purchase in relation to which the valuation is to be made or any person associated in business with him.

6. For the purposes of this Schedule two persons shall be deemed to be associated in business with one another if, whether directly or indirectly, either of them has any interest in the business or property of the other or both have a common

interest in any business or property, or some third person has an interest in the business or property of both of them.

NINTH SCHEDULE.

Purchase Tax (Enforcement and Service of Notices)

1. Subject to the provisions of the next succeeding paragraph, any enactment which has effect in relation to penalties imposed by or incurred under any of the enactments relating to the revenue of excise shall have effect in relation to a penalty imposed by Part V of this Act as if it had been imposed by an enactment relating to the said revenue, and section thirty-two of the Inland Revenue Regulation Act, 1890, shall have effect in relation to an offence against Part V of this Act as it has effect in relation to an offence against an Act relating to the said revenue.

2. All suits, indictments, informations, or complaints, brought or exhibited for any offence against Part V of this Act in any court, or before any justice of the peace, or for the recovery summarily as a civil debt of tax chargeable thereunder, shall be brought or exhibited within three years next after the date of the offence committed, or on which the tax became due, as the case may be, and may be brought or exhibited within that period notwithstanding anything in any enactment.

3. If any person, by himself or by any person in his employ obstructs, molests or hinders—

(*a*) an officer or other official of the customs and excise acting for the purposes of Part V of this Act in the execution of any duty of his, or of any power or authority by law given to him, or

(*b*) any person acting in the aid of any such officer or other official acting as aforesaid,

he shall be liable to a penalty of one hundred pounds.

4. Any person authorised in writing by the Commissioners for the purpose shall have a right, on production if so required of his authority, to enter on and inspect at all reasonable times any premises which there is reasonable cause to believe to be used in connection with the carrying on of the business of a wholesale merchant or of a manufacturer, or of a business in the course of which such purchases as are mentioned in section twenty-six of this Act are made, and to inspect goods found thereon.

5. A notice to be served on any person for any of the purposes of Part V of this Act or of regulations made thereunder may be served by sending it by post in a letter addressed to that person at his last or usual place of abode or place of business.

TENTH SCHEDULE.

Enactments Repealed.

Session and Chapter.	Short Title.	Extent of Repeal.
10 Edw. 7. & 1 Geo. 5. c. 8.	The Finance (1909–10) Act, 1910.	Section sixty-four, in so far as it relates to section fifty-four.
4 & 5 Geo. 5. c. 10.	The Finance Act, 1914.	Section sixteen, in so far as it relates to section twelve.
9 & 10 Geo. 5. c. 32.	The Finance Act, 1919.	The proviso to section twenty-nine.
15 & 16 Geo. 5. c. 36.	The Finance Act, 1925.	The proviso to section twenty-two.
20 & 21 Geo. 5. c. 28.	The Finance Act, 1930.	The proviso to section thirty-three.
21 & 22 Geo. 5. c. 49.	The Finance (No. 2) Act, 1931.	Section five and the Second Schedule.
23 & 24 Geo. 5. c. 19.	The Finance Act, 1933.	Subsection (2) of section eight.
25 & 26 Geo. 5. c. 24.	The Finance Act, 1935.	Subsection (2) of section one and the First Schedule.
2 & 3 Geo. 6. c. 41.	The Finance Act, 1939.	Section six, the proviso to section twenty-nine and the Fifth Schedule.
2 & 3 Geo. 6. c. 109.	The Finance (No. 2) Act, 1939.	Section four, the proviso to section twenty-three and the Third Schedule.
3 & 4 Geo. 6. c. 29.	The Finance Act, 1940.	Subsections (1) and (3) of section one, subsections (1) and (2) of section three, Parts I, III and IV of the First Schedule and Parts I and II of the Third Schedule.

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Remission of Rates (London) Act, 1940.

3 & 4 Geo. 6. Ch. 32. 27th June, 1940.

1. Subsection (4) of section two of the Rating and Valuation Act, 1925 (which empowers rating authorities to reduce or remit the payment of any general rate) shall extend to the administrative county of London, and the references in that subsection to a rating authority and to any general rate shall be construed accordingly,

subject to the modification that, in the case of the city of London, the reference to any general rate shall include a reference to the poor rate.

2.—(1) This Act may be cited as the Remission of Rates (London) Act, 1940.

(2) This Act shall continue in force until the end of the period of two years beginning with such date as may be declared by His Majesty under the Courts (Emergency Powers) Act, 1939, to be the date on which the emergency that was the occasion of the passing of that Act came to an end, and shall then expire except as respects things previously done or omitted to be done.

Amending Regulations, under the Income Tax Act, 1918 (8 & 9 Geo. 5. c. 40), as amended by the Finance Act, 1925 (15 & 16 Geo. 5. c. 36), with respect to the Assessment, Charge and Collection of Income Tax in the case of Weekly Wage-earners, and the Procedure to be adopted for the Purpose.

No. 1520, 19th August, 1940.

1. Regulation No. 6 of the Regulation dated July 16, 1925, made by the Commissioners of Inland Revenue under the Income Tax Act, 1918 (8 & 9 Geo. 5. c. 40), as amended by the Finance Act. 1925 (15 & 16 Geo. 5. c. 36), with respect to the assessment, charge and collection of Income Tax in the case of weekly wage-earners, and the procedure to be adopted for the purpose, shall have effect for the year 1940-41 and subsequent years of assessment as if the amount mentioned in that Regulation were £60 instead of £80.

2. Regulation No. 2 of the Amending Regulations, dated October 6, 1931, made by the Commissioners of Inland Revenue under the said Acts shall cease to have effect for the year 1940–41 and subsequent years of assessment.

Isle of Man (Customs) Act.

3 & 4 Geo. 6. Ch. 49. 22nd August, 1940.

1.—(1) In lieu of the duties imposed on ale and beer by section eight of the second Act of 1932, and section four of the Act of 1936, there shall, until the first day of August, nineteen hundred and forty-one, be payable, on the removal or importation of ale and beer into the Isle of Man, the following duties of customs—

(*a*) in the case of all ale and beer, a duty at the rate of four pounds fourteen shillings for every thirty-six gallons where the worts were before fermentation of a specific gravity of one thousand and fifty-five degrees, with a

proportionate increase or decrease according to the specific gravity of the worts thereof before fermentation; and

(*b*) in the case of ale and beer not being an Empire product, in addition to the duty imposed by paragraph (*a*) of this subsection, a duty at the rate of one pound for every thirty-six gallons.

(2) This section shall be deemed to have come into operation on the twenty-seventh day of April, nineteen hundred and forty.

2.—(1) During the period beginning with the eleventh day of October, nineteen hundred and thirty-nine, and ending with the twenty-sixth day of April, nineteen hundred and forty, section two of the Act of 1930 (which imposes duties on spirits) shall be deemed to have had effect as if—

(*a*) in paragraph (*a*) of subsection (1) thereof the words "four pounds, two shillings and sixpence" had been substituted for the words "three pounds, twelve shillings and sixpence"; and

(*b*) the rates of duty set out in Part I of the First Schedule to this Act had been substituted for the rates set out in Part I of the Schedule to that Act;

and the following provisions of this section shall be deemed to have come into operation on the twenty-seventh day of April, nineteen hundred and forty.

(2) In lieu of the duties imposed on spirits by the said section two, there shall, until the first day of August, nineteen hundred and forty-one, be payable, on the removal or importation of spirits into the Isle of Man, the following duties of customs—

(*a*) in the case of spirits of any description, being Empire products produced in Great Britain or Northern Ireland, a duty of four pounds, seventeen shillings and sixpence for every gallon computed at proof, whether in cask or bottle;

(*b*) in the case of spirits of the descriptions specified in the first column of Part II of the First Schedule to this Act, being Empire products produced elsewhere than in Great Britain or Northern Ireland, duties at the preferential rates respectively specified in the second column of Part II of that Schedule;

(*c*) in the case of spirits of the descriptions so specified, not being Empire products, duties at the full rates respectively specified in the third column of of Part II of that Schedule;

(*d*) in the case of spirits of the descriptions specified in the first column of Part III of that Schedule—

(i) where the spirits have been warehoused for a period of less than three but not less than two years, duties at the rates respectively specified

in the second column of Part III of that Schedule; and

(ii) where the spirits have not been warehoused or have been warehoused for a period of less than two years, duties at the rates respectively specified in the third column of Part III of that Schedule;

in addition to the duty payable under the foregoing provisions of this subsection:

Provided that no duty shall be payable under this subsection on the removal to the Isle of Man of spirits methylated in Great Britain or Northern Ireland.

3.—(1) During the period beginning with the eleventh day of October, nineteen hundren and thirty-nine, and ending with the twenty-sixth day of July, nineteen hundred and forty, section one of the Act of 1927 (which, as amended by section eight of the Act of 1933, imposes duties on wines) shall be deemed to have had effect as if—

(*a*) the rates of duty set out in Part I and Part II of the Second Sehedule to this Act had been respectively substituted for the rates of duty set out in Part I and Part II of the First Schedule to the Act of 1927; and

(*b*) the said section eight had not been in force;

and the following provisions of this section shall be deemed to have come into operation on the twenty-seventh day of July, nineteen hundred and forty.

(2) In lieu of the duties imposed on wines by the said section one, there shall, until the first day of August, nineteen hundred and forty-one, be payable, on the removal or importation of wines into the Isle of Man, the following duties of customs—

(*a*) in the case of wines of the descriptions specified in the first column of Part I of the Third Schedule to this Act, not being Empire products, duties at the rates respectively specified in the second column of that Part of that Schedule; and

(*b*) in the case of wines of the descriptions specified in the first column of Part II of the said Schedule, being Empire products, duties at the rates respectively specified in the second column of that Part of that Schedule:

Provided that if, by virtue of the proviso to section three of the Finance (No. 2) Act, 1939, the preferential rate chargeable under that section (as amended by any subsequent enactment) on wine not exceeding twenty-seven degrees of proof spirit is increased, either generally or as respects wine produced or manufactured in any particular country, the Governor may from time to time make such orders as may be necessary to provide that this subsection has the same effect as respects wine removed or imported into the Isle of Man as the said section three has for the time being as respects wine imported into Great Britain and Northern Ireland.

(3) Subsection (2) of section eight of the Customs and Inland Revenue Act,

1890 (which provides that wine rendered sparkling in warehouse is to be deemed sparkling wine for the purposes of certain duties imposed on sparkling wine) shall apply for the purpose of the duty imposed on sparkling wine by this section as it applied for the purpose of the duty mentioned in that subsection.

(4) In this section the expression "wine" includes the lees of wine, but does not include wine made in Great Britain or Northern Ireland.

4.—(1) During the period beginning with the eleventh day of October, nineteen hundred and thirty-nine, and ending with the twenty-sixth day of July, nineteen hundred and forty, section two of the Act of 1929 and section three of the Act of 1933 (which impose duties on sweets) shall be deemed to have had effect as if—

(*a*) nine shillings had been substituted for seven shillings as the rate of duty per gallon payable in the case of sparkling sweets; and

(*b*) three shillings had been substituted for one shilling as the rate of duty per gallon payable in the case of other sweets;

and the following provisions of this section shall be deemed to have come into operation on the twenty-seventh day of July, nineteen hundred and forty.

(2) In lieu of the duties imposed on sweets by the said section two, as amended by the said section three, there shall, until the first day of August, nineteen hundred and forty-one, be payable, on the removal or importation of sweets into the Isle of Man, the following duties of customs—

(*a*) in the case of sparkling sweets, a duty at the rate of eleven shillings for every gallon; and

(*b*) in the case of other sweets, a duty at the rate of five shillings for every gallon.

(3) In this section, the expression "sweets" means any liquor which is made in Great Britain or Northern Ireland from fruit and sugar, or from fruit or sugar mixed with any other material, and which has undergone a process of fermentation in the manufacture thereof, and includes British wines, made wines, mead and metheglin.

5.—(1) Section one of the Act of 1939 (which imposes duties on tobacco) shall be deemed to have had effect—

(*a*) during the period beginning with the eleventh day of October, nineteen hundred and thirty-nine, and ending with the twenty-sixth day of April, nineteen hundred and forty, as if the rates of duty set out in Part I of the Fourth Schedule to this Act had been substituted for the rates of duty set out in the First Schedule to that Act; and

(*b*) during the period beginning with the twenty-seventh day of April, nine-

teen hundred and forty, and ending with the twenty-sixth day of July, nineteen hundred and forty, as if the rates of duty set out in Part II of the said Fourth Schedule had been substituted for the rates of duty set out in the said First Schedule;

and the following provisions of this section shall be deemed to have come into operation on the twenty-seventh day of July, nineteen hundred and forty.

(2) In lieu of the duties imposed by the said section one, there shall, until the first day of August, nineteen hundred and forty-one, be payable, on the removal or importation into the Isle of Man of tobacco of the descriptions specified in the first column of Part III of the Fourth Schedule to this Act, the following duties of customs—

(*a*) in the case of tobacco not being an Empire product, duties at the rates respectively specified in the second column of Part III of that Schedule; and

(*b*) in the case of tobacco being an Empire product, duties at the rates respectively specified in the third column of Part III of that Schedule.

(3) In the said Schedule the expression "stripped tobacco" means tobacco of of which the leaf is not complete by reason of the removal of the stalk or midrib or of some portion thereof, but tobacco shall not be deemed to be stripped tobacco solely by reason of its having been subjected to such process of butting as the Commissioners may allow.

6.—(1) In lieu of the duties imposed on matches by section one of the Act of 1933, there shall, until the first day of August, nineteen hundred and forty-one, be payable, on the removal or importation of matches into the Isle of Man, duties of customs at the rates specified in the Fifth Schedule to this Act.

(2) For the purposes of the duties under this section, a match which has more than one point of ignition shall be reckoned as so many matches as there are points of ignition.

(3) The Commissioners may make regulations with respect to the collection of the duties under this section, and may for that purpose apply, with the necessary modifications, to matches removed or imported into the Isle of Man, any enactments applicable to duties on matches imported into Great Britain and Northern Ireland.

(4) This section shall be deemed to have come into operation on the twenty-seventh day of April, nineteen hundred and forty.

7.—(1) In lieu of the duties imposed on mechanical lighters and component parts thereof by section two of the Act of 1933, there shall be payable, on the removal or importation into the Isle of Man of any article, being a mechanical lighter or component part of a mechanical lighter other than a flint, the following duties of customs—

(*a*) in the case of any such article manufactured in Great Britain or Northern Ireland, a duty of two shillings and sixpence; and

(*b*) in the case of any other such article, a duty of three shillings and sixpence.

(2) The Commissioners may, subject to such conditions (if any) as they think fit to impose, exempt from the duties under this section any mechanical lighters which are shown to their satisfaction to be intended to be used as parts of miners' lamps, and the component parts of any such mechanical lighters.

(3) In this section, the expression "mechanical lighter" means any mechanical or chemical contrivance which is portable and is intended for producing a spark or flame,whether by itself or when brought into contact with gas.

(4) The Commissioners may make regulations with respect to the collection of the duties under this section and may for that purpose apply, with the necessary modifications, to mechanical lighters removed or imported into the Isle of Man any enactments applicable to duties on mechanical lighters imported into Great Britain and Northern Ireland.

(5) This section shall be deemed to have come into operation on the twenty-seventh day of April, nineteen hundred and forty.

8.—(1) Subject to the provisions of this section, the duties of customs imposed on goods romoved or imported into the Isle of Man, being goods of the descriptions set out in the first column of the following table, by the respective enactments set out in the second column of that table, shall continue to be payable until the first day of August, nineteen hundred and forty-one:—

TABLE.

Description of goods.	Enactment imposing duty.
Cocoa	Section 4 of the Act of 1924.
Hops and extracts, essences and other similar preparations (other than hop oil) made from hops.	Section 5 of the Act of 1925.
Hop oil	Section 3 of the Act of 1929.
Silk and artificial silk and articles made wholly or in part from silk or artificial silk.	Section 7 of the Act of 1925, as amended by section 8 of the Act of 1926, section 9 of the second Act of 1932, section 4 of the Act of 1933, section 3 of the Act of 1936, and section 3 of the Act of 1937.
Tea	Section 5 of the Act of 1938.

(2) Where any enactment set out in the second column of the foregoing table confers power on the Governor to make orders varying or repealing the duties of customs payable on the goods referred to in that enactment or imposing a new duty on such goods, the provisions of that enactment relating to the said power shall continue in force until the said first day of August, nineteen hundred and forty-one, and the foregoing provisions of this section shall have effect subject to any orders made in pursuance of any such power (whether before or after the commencement of this Act) which are for the time being in force.

(3) This section shall be deemed to have come into operation on the first day of August, nineteen hundred and forty.

9.—(1) This Act may be cited as the Isle of Man (Customs) Act, 1940.

(2) In this Act the expression "Empire product" has the same meaning as in section five of the Act of 1919, as amended by any subsequent enactment.

(3) The enactments set out in the Sixth Schedule to this Act are hereby repealed to the extent mentioned in the third column of that Schedule—

(*a*) in the case of the enactment set out in Part I of that Schedule, as from the elventh day of October, nineteen hundred and thirty-nine;

(*b*) in the case of the enactments set out in Part II of that Schedule; as from the twenty-seventh day of April, nineteen hundred and forty; and

(*c*) in the case of the enactments set out in Part III of that Schedule, as from the twenty-seventh day of July, nineteen hundred and forty.

SCHEDULES.

FIRST SCHEDULE.

Rates of Duties on Spirits.

Part I.

Ordinary rates payable on spirits (not produced in Great Britain or Northern Ireland) from 11th October, 1939, to 26th April, 1940.

1.	2.		3.	
Description of Spirits.	Preferential Rates.		Full Rates.	
	In Cask.	In Bottle.	In Cask.	In Bottle.
For every gallon computed at proof of—	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Brandy or rum	4 2 10	4 3 10	4 5 4	4 6 4
Imitation rum or geneva	4 2 11	4 3 11	4 5 5	4 6 5
Unsweetened spirits other than those already enumerated	4 2 11	4 2 11	4 5 5	4 5 5
For every gallon of perfumed spirits ...	6 12 0	6 13 0	6 16 0	6 17 0
For every gallon of liqueurs, cordials, mixtures, and other preparations in bottle entered in such manner as to indicate that the strength is not to be tested	—	5 12 7	—	5 15 11
For every gallon computed at proof of spirits of any description not heretofore mentioned, including naphtha and methylic alcohol purified so as to be potable, and mixtures and preparations containing spirit	4 2 11	4 3 11	4 5 5	4 6 5

Part II.

Ordinary rates payable on spirits (not produced in Great Britain or Northern Ireland) after 26th April, 1940.

1.	2.		3.	
Description of Spirits.	Preferential Rates.		Full Rates.	
	In Cask.	In Bottle.	In Cask.	In Bottle.
For every gallon computed at proof of—	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Brandy or rum	4 17 10	4 18 10	5 0 4	5 1 4
Imitation rum or geneva	4 17 11	4 18 11	5 0 5	5 1 5
Unsweetened spirits other than those already enumerated	4 17 11	4 17 11	5 0 5	5 0 5
For every gallon of perfumed spirits ...	7 16 0	7 17 0	8 0 0	8 1 0
For every gallon of liqueurs, cordials, mixtures, and other preparations in bottle entered in such manner as to indicate that the strength is not to be tested...	—	6 12 10	—	6 16 2
For every gallon computed at proof of spirits of any description not heretofore mentioned, including naphtha and methylic alcohol purified so as to be potable, and mixtures and preparations containing spirit	4 17 11	4 18 11	5 0 5	5 1 5

Part III.

Additional Customs duties in respect of all immature spirits.

1. Description of Spirits.	2. Where the Spirits have been warehoused for a period of less than three but not less than two years.		3. Where the Spirits have not been warehoused, or have been warehoused for a period of less than two years.	
	s.	*d.*	*s.*	*d.*
For every gallon computed at proof of spirits of any description except perfumed spirits ...	1	0	1	6
For every gallon of liqueurs, cordials, mixtures and other preparations entered in such manner as to indicate that the strength is not to be tested	1	4	2	0
For every gallon of perfumed spirits	1	7	2	5

SECOND SCHEDULE.

Rates of Duties on Wines payable from 11th October, 1939, to 26th July, 1940.

Part I.

Non-Empire products.

Description of wine.	Rate of duty per gallon. *s.*	*d.*
Not exceeding 25 degrees proof spirit	6	0
Exceeding 25 degrees proof spirit and not exceeding 42 degrees proof spirit	12	0
For every degree or fraction of a degree above 42 degrees proof spirit, an additional duty	1	0
Sparkling, an additional duty	12	6
Stil, in bottle, an additional duty	2	0

Part II.

Empire products.

Description of wine.	Rate of duty per gallon. *s.*	*d.*
Not exceeding 27 degrees proof spirit	4	0
Exceeding 27 degrees proof spirit and not exceeding 42 degrees proof spirit	8	0
For every degree or fraction of a degree above 42 degrees proof spirit, an additional duty	0	8
Sparkling, an additional duty	6	3
Still, in bottle, an additional duty	1	0

THIRD SCHEDULE.

Rates of Duties on Wines payable after 26th July, 1940.

Part I.

Non-Empire products.

Description of wine.	Rate of duty per gallon. *s.*	*d.*
Not exceeding 25 degrees proof spirit	8	0
Exceeding 25 degrees proof spirit and not exceeding 42 degrees proof spirit	16	0
For every degree or fraction of a degree above 42 degrees proof spirit, an additional duty	1	4
Sparkling, an additional duty	12	6
Still, in bottle, an additional duty	2	0

Part II.

Empire products.

Description of wine.	Rate of duty per gallon. *s.*	*d.*
Not exceeding 27 degrees proof spirit	6	0
Exceeding 27 degrees proof spirit and not exceeding 42 degrees proof spirit	12	0
For every degree or fraction of a degree above 42 degrees proof spirit, an additional duty	1	0
Sparkling, an additional duty	6	3
Still, in bottle, an additional duty	1	0

FOURTH SCHEDULE.

RATES OF DUTIES ON TOBACCO.

PART I.

DUTIES PAYABLE FROM 11TH OCTOBER, 1939, TO 26TH APRIL, 1940.

Description of tobacco.	Rate of duty per lb.					
	Non-Empire products.			Empire products.		
	£	s.	d.	£	s.	d.
Unmanufactured tobacco, viz. :—						
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof—						
unstripped	0	13	6	0	11	5½
stripped	0	13	6½	0	11	5⅞
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof—						
unstripped	0	14	6	0	12	2⅞
stripped	0	14	6½	0	12	3¼
Manufactured tobacco, viz. :—						
cigars	1	2	1	0	18	2¼
cigarettes	0	18	7	0	15	5¼
Cavendish or Negrohead	0	17	9	0	14	9⅜
Cavendish or Negrohead manufactured in bond	0	16	0	0	13	4⅞
other manufactured tobacco	0	16	0	0	13	4⅞
Snuff—						
containing more than 13 lbs. of moisture in every 100 lbs. weight thereof	0	15	4	0	12	10⅝
containing not more than 13 lbs. of moisture in every 100 lbs. weight thereof	0	17	9	0	14	9⅜
and so in proportion for any less quantity.						

PART II.

DUTIES PAYABLE FROM 27TH APRIL TO 26TH JULY, 1940.

Description of tobacco.	Rate of duty per lb.					
	Non-Empire products.			Empire products.		
	£	s.	d.	£	s.	d.
Unmanufactured tobacco, viz. :—						
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof—						
unstripped	0	17	6	0	15	5½
stripped	0	17	6½	0	15	5⅞
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof—						
unstripped	0	18	6	0	16	2⅞
stripped	0	18	6½	0	16	3¼
Manufactured tobacco, viz. :						
cigars	1	6	1	1	2	2¼
cigarettes	1	2	7	0	19	5¼
Cavendish or Negrohead	1	1	9	0	18	9⅜
Cavendish or Negrohead manufactured in bond	1	0	0	0	17	4⅞
other manufactured tobacco	1	0	0	0	17	4⅞
Snuff—						
containing more than 13 lbs. of moisture in every 100 lbs. weight thereof	0	19	4	0	16	10⅝
containing not more than 13 lbs. of moisture in every 100 lbs. weight thereof	1	1	9	0	18	9⅝
and so in proportion for any less quantity.						

PART III.

DUTIES PAYABLE AFTER 26TH JULY, 1940.

Description of tobacco.	Rate of duty per lb.					
	Non-Empire products.			Empire products.		
	£	s.	d.	£	s.	d.
Unmanufactured tobacco, viz.—						
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof—						
unstripped	0	19	6	0	17	5½
stripped	0	19	6½	0	17	5⅞
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof—						
unstripped	1	0	6	0	18	5⅞
stripped	1	0	6½	0	18	3¼
Manufactured tobacco, viz.:—						
cigars	1	8	1	1	4	2¼
cigarettes	1	4	7	1	1	5¼
Cavendish or Negrohead	1	3	9	1	0	9⅜
Cavendish or Negrohead manufactured in bond	1	2	0	0	19	4⅞
other manufactured tobacco	1	2	0	0	19	4⅞
Snuff—						
containing more than 13 lbs. of moisture in every 100 lbs. weight thereof	1	1	4	0	18	10⅜
containing not more than 13 lbs. of moisture in every 100 lbs. weight thereof	1	3	9	1	0	9⅜
and so in proportion for any less quantity.						

FIFTH SCHEDULE.

RATES OF DUTIES ON MATCHES.

	£	s.	d.
For every 1,000 containers in which there are not more than 10 matches	0	12	9
For every 1,000 containers in which there are more than 10 matches but not more than 30 matches...	1	18	3
For every 144 containers in which there are more than 30 matches but not more than 50 matches...	0	9	0
For every 144 containers in which there are more than 50 matches:—			
For the first 50 matches	0	9	0
For every additional 5 matches or part of 5 matches in excess of 50 matches	0	0	11

and so in proportion for any less number of containers.

SIXTH SCHEDULE.

ENACTMENTS REPEALED.

PART I.

ENACTMENT REPEALED AS FROM 11TH OCTOBER, 1939.

Session and Chapter.	Short Title.	Extent of Repeal.
23 & 24 Geo. 5. c. 40.	The Isle of Man (Customs) Act, 1933.	Section eight.

PART II.

ENACTMENT REPEALED AS FROM 27TH APRIL 1940.

Session and Chapter.	Short Title.	Extent of Repeal.
20 & 21 Geo. 5. c. 42.	The Isle of Man (Customs) Act, 1930.	Section two and the Schedule.
22 & 23 Geo. 5. c. 41.	The Isle of Man (Customs) (No. 2) Act, 1932.	Section eight.
23 & 24 Geo. 5. c. 40.	The Isle of Man (Customs) Act, 1933.	Sections one and two and the First Schedule.
26 Geo. 5. & 1 Edw. 8. c. 45.	The Isle of Man (Customs) Act, 1936.	Section four.
1 & 2 Geo. 6. c. 68.	The Isle of Man (Customs) Act, 1938.	Section four.

PART III.

ENACTMENTS REPEALED AS FROM 27TH JULY, 1940.

Session and Chapter.	Short Title.	Extent of Repeal.
17 & 18 Geo. 5. c. 20.	The Isle of Man (Customs) Act, 1927.	Section one and the First Schedule.
20 & 21 Geo. 5. c. 1.	The Isle of Man (Customs) Act, 1929.	Section two.
23 & 24 Geo. 5. c. 40.	The Isle of Man (Customs) Act, 1933.	Section three.
2 & 3 Geo. 6. c. 53.	The Isle of Man (Customs) Act, 1939.	Section one and the First Schedule.

Purchase Tax Regulations, under Part V of the Finance (No. 2) Act, 1940 (3 & 4 Geo. 6. c. 48).

No. 1552, 23rd August, 1940.

1. Applications from persons carrying on business in such circumstances that they are required under subsection (1) of section 23 of the Act to be registered shall be made in the form approved by the Commissioners and containing such particulars of the business carried on by such persons as the Commissioners may require.

Such applications shall, if the person so required to be registered is carrying on business at the passing of the Act, be made before the 20th day of September, 1940.

2. A manufacturer who is not required by subsection (1) of section 23 of the Act to be registered shall, if he desires to be registered under the provisions of subsection (2) of the said section 23, for the purpose of satisfying the Commissioners that he uses chargeable goods in substantial quantities as materials apply to the Commissioners for registration and furnish to them such information as they may require for the purpose of being so satisfied in such form and manner as they may direct.

3. Every person who appears to the Commissioners to be carrying on a business which consists of or includes that of a wholesale merchant or manufacturer or the making of such purchases as are mentioned in section 26 of the Act shall furnish to the Commissioners such information relating to his business within such time and in such form as they may require for the purpose of determining whether such person ought to be registered.

4. On the entry for home use of any chargeable goods imported into the United Kingdom security for tax which may become chargeable in respect thereof by reason

of their being bought under a purchase which is a chargeable purchase by virtue of paragraph (c) of subsection (2) of section 18 of the Act shall be given by the person by whom or on whose behalf the goods are entered, in such form as the Commissioners may require.

5. On the entry for home use of any goods in respect of which tax then becomes due the proper tax payable shall be paid to the proper officer of Customs and Excise upon delivery of the entry.

6. Where a registered person becomes aware or has reasonable cause for believing that the circumstances of his business have so changed that his registration ought to be varied or cancelled he shall forthwith give information of such change to the Commissioners specifying all facts relevant for determining whether the registration ought to be varied or cancelled.

7. Every person concerned with the purchase or importation of goods or dealings with imported goods shall furnish to the Commissioners within such time and in such form as they may in any case require information relating to the goods or to the purchase or importation thereof or dealings therewith as they may specify and shall produce at his premises or elsewhere as the Commissioners may appoint for inspection to an officer or other official of Customs and Excise upon demand any books or accounts or other documents of whatever nature relating thereto.

8. The representation by the buyer for the purpose of subsection (1) of section 24 of the Act (which relates to purchases that are to be treated as purchases of wholesale merchant's stock or manufacturer's materials) shall be made by the buyer delivering to the seller before delivery of the goods under the purchase a written order for the goods containing a statement in writing in one of the following forms as the case may be:—

In the case of a registered wholesale merchant, or of a person registered under the provisions of section 26 of the Act:—

*Insert name of buyer and member of certificate

"Purchase by* , holder of Purchase Tax Certificate No.* of goods as stock intended for sale by him (them)."

In the case of a registered manufacturer:—

"Purchase by* , holder of Purchase Tax Certificate No.* of goods as materials intended for use by him (them) as materials."

Any such statement shall be signed by the registered person or on his behalf by some person duly authorised by him in writing in a form approved by the Commissioners and shall be retained by the seller and produced on demand to the proper officer or other official of the Customs and Excise.

9. For the purpose of the proviso to subsection (2) of section 21 of the Act (which relates to disputes as to the wholesale value of any goods), the prescribed period shall be a period of fourteen days from the time when the Commissioners' opinion as to the wholesale value of the goods has been communicated to the person accountable for the tax.

10—(*a*) The Interpretation Act, 1889, applies to the interpretation of these Regulations as it applies to the interpretation of an Act of Parliament.

(*b*) These Regulations may be cited as "The Purchase Tax Regulations, 1940".

Regulations under section 21 of the Finance (No. 2) Act, 1939 and Part II of the Fifth Schedule, Finance Act, 1937.

No. 1676, 17th September, 1940.

Procedure to be followed on applications and appeals to the Board of Referees (hereinafter called the Board) under provisions contained in the Finance (No. 2) Act, 1939, the Finance Act, 1940, or the Finance (No. 2) Act, 1940.

Procedure.

1. Applications and appeals shall be made in the manner prescribed by the following provisions.

Applications under Section 27 (3), *Finance Act*, 1940.

2. Applications under the provisions of Section 27 (3) of the Finance Act, 1940, to determine an amount to be substituted for the profits for the standard period shall be made in the form set out as Form A in the Schedule hereto annexed.

3. There shall be attached to an application a statement setting out the facts and specifying the facts and grounds relied on in support of the application and including the following information:—

(A) Where it is *not* claimed that the trade or business belongs to a class of industry which, during the years by reference to which the standard period could have been selected, was a depressed industry, or where it is so claimed but it is desired to proceed with the application whether or not such claim is established to the satisfaction of the Board of Referees—

(i) particulars of the paid-up share capital in the standard period (where the application is made on behalf of a body corporate), or the net amounts standing to the credit of the capital accounts of the partners, or, as the case may be, of the individual, during the standard period, after setting off

any amounts standing to the debit of any of those accounts (where the application is made by a partnership or individual);

(ii) the value of the assets employed in the trade or business immediately before the commencement of the standard period (valued as assets of a going concern), excluding any investments which would not be included in computing capital under the provisions applicable to the computation thereof for the purposes of Excess Profits Tax, and deducting borrowed money and debts existing immediately before the commencement of the standard period, except so far as, by virtue of paragraph 3 of Part II of the Seventh Schedule to the Finance (No. 2) Act, 1939, they would not be deductible in computing capital under the said provisions, together with particulars showing how this value is arrived at;

(iii) the amount by which the average amount of the capital employed in the trade or business in the standard period exceeds or falls short of the amount of the capital employed therein immediately before the commencement of that period, together with particulars showing how such amount is computed;

(iv) the amount representing the relevant percentage of the sum of, or, as the case may be, the difference between the amounts set out in (ii) and (iii) above; such relevant percentage being either

(*a*) (1) 6% or (2) where the application is made by a company the directors whereof had a controlling interest therein, by a partnership or by an individual, 8%;

or (*b*) where the application is made in respect of a trade or business of a class in relation to which an order has been made by the Board of Referees under Section 13 of the Finance (No. 2) Act, 1940, such increased percentage as may be provided for by that order, in lieu of the above-mentioned percentage of 6 or 8%:

(B) Where it is claimed that the trade or business belongs to a class of industry which, during the years by reference to which the standard period could have been selected, was a depressed industry—

any facts or grounds which it is desired to put forward in support of this claim:

(C) In all cases—

(i) the actual profits or losses made or incurred in the standard period, computed in accordance with the provisions relating to the computation of profits and losses for the purposes of Excess Profits Tax;

(ii) the average amount of the capital employed in the trade or business in the standard period, computed in accordance with the provisions applicable to the computation of capital for the purpose of Excess Profits Tax, together with particulars showing how this average amount is arrived at;

(iii) (*a*) particulars of any capital employed in the trade or business immediately before the commencement of the standard period, as computed for the purposes of Excess Profits Tax, which was wholly or partly represented by assets the whole or any part of the value of which for the purpose of the trade or business had at that date been permanently lost, and

(*b*) the amount of the value so lost;

(iv) where the application is made by a company, whether the directors of the company had a controlling interest therein during the standard period;

(v) the amount representing the relevant percentage (as defined in (A) (iv) of this paragraph) of the difference between the amounts set out under (ii) and (iii) (*b*) above.

4. When the application is made by a principal company on behalf of a group of companies, there shall also be given particulars of—

(i) any paid-up share capital of other members of the group, not being new subsidiaries, which, in the standard period, was owned neither directly nor indirectly by the principal company;

(ii) any deductions required to be made under Rule 3 (3) (*g*) of Part II of the Fifth Schedule to the Finance Act, 1940;

and the requirements as regards information to be included in the statement shall be construed as if,

(*a*) references to paid-up share capital were references to the paid-up share capital of the principal company;

(*b*) references to the trade or business were references to all the trades or businesses of all the members of the group (other than new subsidiaries);

(*c*) references to the standard period were references to the standard period of the group; and

(*d*) references to the provisions applicable to the computation of capital for the purposes of Excess Profits Tax were construed as references to those provisions as applicable to a member of a group of companies.

Where an application is made by a principal company on behalf of a new subsidiary, the requirements as regards information to be included in the statement shall be construed as relating to the new subsidiary,

5. The statement shall be signed by the Applicant or a person duly authorised by the Applicant and verified by a statutory declaration in support thereof in the form set out as Form C in the Schedule hereto annexed. The application, statement and declaration shall be delivered to the Surveyor for the District in which the Applicant resides or carries on business. The Applicant, if the Surveyor so requires, shall also deliver eight copies of the application and of the statement.

6. Upon receipt of the application and of the documents mentioned in paragraphs 2 to 5 hereof, the Surveyor shall, as soon as may be, deliver the same to the Commissioners of Inland Revenue (hereinafter called the Commissioners).

7. Within 30 days after the receipt by the Commissioners of the documents mentioned in paragraphs 2 to 5 hereof, the Commissioners shall deliver the application, statement and declaration to the Registrar of the Board, and, unless they intimate to the Board that they do not oppose the application, they shall also deliver to the Registrar five copies of the application and statement, and six copies of any observations they may desire to append thereto. At the same time they shall deliver to the Applicant a copy of such observations (if any).

8. If the Commissioners intimate to the Board that they do not oppose the application, the Board may, if they think fit, forthwith give the direction sought, without hearing the parties.

Applications for the apportionment of group standard profits under the proviso to Rule 2 (2) *of Part III of the Fifth Schedule to the Finance Act,* 1940, *for confirmation of a direction as regards a new subsidiary under Rule* 3 (5) *of Part III or the said Schedule, or for variation of a determination under Rule* 3 (3) (*i*) (ii) *of Part II of the said Schedule.*

9. Any such application (other than an application under Rule 3 (3) (*i*) (ii) which is made by the Commissioners) shall be delivered in writing to the Surveyor for the District in which the Applicant resides or carries on business, and shall be accompanied by a statement setting out the facts and specifying the facts and grounds relied on in support of the application. Such statement shall be signed by the Applicant or a person duly authorised by the Applicant and verified by a statutory declaration in support thereof in the form set out as Form C in the Schedule hereto annexed.

Together with the application, statement and declaration there shall be delivered to the Surveyor, if he so requires, eight copies of the statement.

10. Upon receipt of the documents mentioned in paragraph 9 hereof the Surveyor shall, as soon as may be, send the same to the Commissioners, and the Com-

missioners shall within 30 days of receipt deliver the application, statement and declaration to the Registrar of the Board, together with five copies of the statement, and, unless they intimate to the Board that they do not oppose the application, they shall also deliver six copies of any observations they may desire to append thereto. At the same time they shall deliver to the Applicant a copy of such observations (if any.)

11. In the case of an application under Rule 2 (2) of Part III of the Fifth Schedule the Surveyor shall notify the other members of the group (other than new subsidiaries) of the receipt of the application and shall, if so requested, supply such members with a copy of the statement setting out the facts and specifying the facts and grounds relied on in support of the application. Any other member of the group (other than a new subsidiary) shall be entitled to take part in the proceedings consequent upon the said application or, if desirous of so doing, to enter a cross-application. For the purposes of participation in the said proceedings or of any cross-application such other party shall, *mutatis mutandis*, have the same obligations and right as regards furnishing a statement, adducing evidence, and being heard, as are by these Regulations imposed or conferred upon the Applicant.

12. Upon the hearing of any application under Rule 2 (2) of Part III the Board shall determine the amount to be apportioned to each member of the group.

13. Applications by the Commissioners under Rule 3 (3) (*i*) (ii) of Part II of the Fifth Schedule shall be delivered to the Registrar of the Board and shall be accompanied by six copies of a statement setting out the facts and specifying the facts and grounds relied upon in support of the application.

A copy of any such application and statement shall be sent by the Commissioners to the principal company, and that company shall be entitled to take part in the proceedings, or if desirous of so doing, to enter a cross-application. For the purposes of participation in the said proceedings or of any cross-application the principal company shall, *mutatis mutandis*, have the same obligations and rights as the Commissioners as regards furnishing a statement, adducing evidence, and being heard.

14. Where the Board are satisfied that there is no opposition to an application, either by the Commissioners or by any other party the Board may, if they think fit, deal with the application forthwith without hearing the parties.

Applications under Section 13 *of the Finance* (*No.* 2) *Act*, 1940.

15. Applications under the said Section 13 for an increase in the percentage rates and in the statutory percentage prescribed by Section 27 of the Finance Act, 1940, and Section 13 of the Finance (No. 2) Act, 1939, respectively, by Applicants

applying collectively or as an association of traders or by a representative authorised by them to make an application on their behalf, shall be made in accordance with Form B set out in the Schedule hereto annexed.

The application shall be delivered to the Commissioners and shall be accompanied by a statement setting out the facts and specifying the facts and grounds relied on in support of the application, verified by a statutory declaration in the form set out as Form C in the Schedule hereto annexed. Together with the application and statement six copies thereof shall be delivered to the Commissioners.

16. Within 30 days after the receipt by the Commissioners of the documents mentioned in paragraph 15 hereof the Commissioners shall deliver the application, statement and declaration to the Registrar of the Board together with five copies of the statement and six copies of any observations they may desire to append thereto. At the same time they shall deliver to the Applicants a copy of such observations (if any).

Appeals.

[*Under Section* 16 (5) *or* 16 (6), *Finance* (*No.* 2) *Act*, 1939, *Section* 27 (2) 32 (2), 33 (2), 38 (4), *or Rule* 3 (3) (*i*) (i) *of Part II of the Fifth Schedule, Finance Act*, 1940.]

17. Notice of any such appeal shall be given within thirty days of the receipt of formal notification from the Commissioners of the determination or decision which is the subject of the appeal, or within such further time as the Commissioners may allow.

Every such notice shall be delivered in writing to the Surveyor for the District in which the appellant resides or carries on business, and shall be accompanied by a statement setting out the facts and specifying the facts and grounds relied on in support of the appeal.

The statement shall be signed by the Appellant or a person duly authorised by the Appellant and verified by a statutory declaration in support thereof in the form set out as Form C in the Schedule hereto annexed.

Together with the notice, statement and declaration there shall be delivered to the Surveyor eight copies of the notice and of the statement.

18. Upon receipt of the notice of appeal and of the documents mentioned in paragraph 17 hereof, the Surveyor shall, as soon as may be, deliver the same to the Commissioners.

19. Within 30 days after the receipt by the Commissioners of the documents mentioned in paragraph 17 hereof, the Commissioners shall deliver the notice, statement and declaration to the Registrar of the Board, together with five copies of the

notice and of the statement, and six copies of any observations they may desire to append thereto. At the same time they shall deliver to the Appellant a copy of such observations (if any).

20. If in any case notice of appeal is given under Section 16 (5) by one only of the parties between whom profits, losses, capital, or assets have been apportioned by the Commissioners, the Surveyor shall forthwith upon receipt of the notice of appeal notify the other party of such receipt, and shall supply that party with a copy of the notice and statement. Such other party shall be entitled to take part in the proceedings consequent npon the said notice of appeal, or, if desirous of so doing, to enter a cross appeal. For the purposes of participation in the said proceedings or of any cross appeal, such other party shall, *mutatis mutandis*, have the same obligations and rights, as regards furnishing a statement, adducing evidence and being heard, as are by these Regulations imposed or conferred upon a person proceeding with an appeal under Section 16 (5) of the Act.

21. Upon the hearing of any appeal against an apportionment made by the Commissioners under the said sub-section (5), the Board shall determine the amounts to be apportioned to the part of the trade or business transferred and to the part thereof not transferred respectively.

Proceedings after Application or after Notice of Appeal.

22. In case no matter of fact shall be in dispute, the Board shall, except in cases dealt with summarily under paragraphs 8 or 14 hereof, appoint a date and place for the hearing.

23. In case any matter of fact shall be in dispute, the Chairman of the Board shall, upon an interlocutory appointment, give directions as to proof and procedure, and fix a time by which copies of documents intended to be used at the hearing must be in the hands of the Registrar.

24. Not less than five days' notice shall be given of an interlocutory appointment before the Chairman of the Board, and not less than fourteen days of an appointment for a hearing before the Board.

25. Attendance before the Board may be made by duly appointed representatives, of whose names notice in writing must be given to the Registrar not less than two days before the time fixed for the hearing.

Upon any appointment before the Board the Commissioners may appear by any representative appointed by them, and, subject to the directions of the Board, may be heard upon the questions arising for determination.

26. No adjournment of an appointment by the Board shall be made except by order of the Board.

27. Unless otherwise directed by the Chairman, a shorthand note shall be taken at every interlocutory hearing, and a copy of the transcript thereof shall be sent by the Registrar to the Applicant or Appellant. A shorthand note shall be taken of evidence given at all hearings by the Board, unless otherwise directed by the Chairman.

Save as aforesaid, no shorthand note shall be taken or transcript made, nor the same printed, without the order of the Chairman evidenced by a note under the hand of the Registrar. Where such order is obtained at the instance of an Applicant or Appellant, the cost of any transcript and print shall be borne by such Applicant or Appellant under arrangement to be made with the official shorthand writer. Copies thereof must be sent by the Applicant or Appellant obtaining such order both to the Registrar and to the Commissioners.

28. Copies of documents intended to be used on an application or appeal, and draft proofs of any witnesses whom it is intended to call, shall be exchanged by the Applicant or Appellant and the Commissioners at least 14 days before the date fixed at an interlocutory appointment for the delivery of documents to the Registrar; and final proofs shall be exchanged, and six copies thereof, and of all documents intended to be used at the hearing, sent to the Registrar by the party intending to use the same on or before such date. This shall not preclude any witness from supplementing his proof at the hearing in cross-examination or re-examination.

29. Copies of any direction or determination of the Board shall be sent by the Registrar to the Applicant or Appellant, and to the Commissioners or their Solicitor.

General.

30. Any statement delivered pursuant to these Regulations shall set forth the material facts concisely in numbered paragraphs, and shall be typed or printed. A statement which shall be found to depart substantially from this provision shall be deemed not to have been duly delivered. So far as is possible, all documents supplied for the use of the Board shall be typed or printed.

31. Copies of Forms A, B and C shall be supplied on request by the Secretary of the Commissioners.

32. Delivery of notices and documents shall be made to the Board of Referees by letter addressed to the Registrar at Room 552, Royal Courts of Justice, London, W.C.2; to the Commissioners of Inland Revenue, by letter addressed to the Secretary

of the Commissioners of Inland Revenue, Somerset House, London, W.C.2; to an Applicant or Appellant, by letter addressed to him at his address.

33. In exceptional circumstances compliance with any of these Regulations may be waived in any particular instance by order of the Board or of the Chairman.

34. The Interpretation Act, 1889, shall apply for the purpose of the interpretation of these provisions in like manner as it applies for the purpose of the interpretation of an Act of Parliament.

35. In these Regulations the expression "Surveyor" means a Surveyor as defined by the Income Tax Act, 1918.

36. The Regulations relating to Excess Profits Tax made by the Commissioners and dated 5th February, 1940 (S.R. & O. 1940 No. 177) are hereby revoked.

SCHEDULE.

FORM A.

FINANCE ACT, 1940.

PART III—EXCESS PROFITS TAX.

Particulars of application to the Board of Referees for a direction under Section 27 (3.)

1. Name and address of Applicant(s) ... ...
.....
2. Trade or business in question ... ...
3. The standard period with reference to which the application is made ... ...
4. What amount is sought to be substituted for the profits of the standard period... .....

Application is hereby made for a direction by the Board of Referees that the standard profits for a full year shall be ascertained as if the profits for the standard period were the amount set out in (4) above.

A statement is appended hereto setting out the facts and specifying the facts and grounds relied on in support of the application.

(Signed) .....

(Signature of Applicant(s) or authorised representative.)

To the Board of Referees.

Notes.—1. This form, when completed, should be forwarded, together with the statement referred to, to the Inspector of Taxes for the District in which the Applicant resides or carries on business.

2. The facts set out in the statement must be duly verified by a statutory declaration in support thereof.

FORM B.

FINANCE (No. 2) ACT, 1940.

PART III—EXCESS PROFITS TAX.

Particulars of application to the Board of Referees for an order under Section 13.

No. of Case (to be supplied by the Commissioners) ... ...

1. Name and address of Applicant(s) ... ...
2. Class of trade or business. ... ...
3. Title or qualification of the Applicant(s) to represent the class, and identification by name and description of the persons (including firms and corporations) who are parties to the application) ... ...
4. Amount of increase claimed ... ...

Application is hereby made for an order by the Board of Referees that in relation to the class of trades or businesses specified in (2) above the percentage rates prescribed by Section 27 of the Finance Act, 1940, and the statutory percentage prescribed by Section 13 of the Finance (No. 2) Act, 1939, shall be increased by the amount set out in (4) above.

A statement is appended hereto setting out the facts and specifying the facts and grounds relied on in support of the application.

(Signed) .....

(Signature of Applicant(s) or authorised representative.)

To the Board of Referees.

Notes.—1. This form, when completed, should be forwarded, together with the statement referred to, to the Secretary of the Commissioners of Inland Revenue, Somerset House, London, W.C.2.

2. The facts set out in the statement must be duly verified by a statutory declaration in support thereof.

FORM C.

EXCESS PROFITS TAX.

APPLICATIONS OR APPEALS TO THE BOARD OF REFEREES.

Statutory Declaration for Verification of Facts appearing in Statements.

(To be declared before any Justice of the Peace, Notary Public, or other Officer by law authorised to administer an Oath, and to be appended at the foot of the statement.)

I, , of

, being the ,

do solemnly and sincerely declare that the facts appearing in the above written statement are true to the best of my knowledge, information and belief, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the Statutory Declarations Act, 1835.

(Signed) .....

Declared by the said

at in the County of

this day of 194

Before me

Purchase Tax (Commencement) Order, under section 18 of the Finance (No. 2) Act, 1940 (3 & 4 Geo. 6. c. 48).

No. 1771, 3rd October, 1940.

The Lords Commissioners of His Majesty's Treasury, in exercise of the power conferred on them by subsection (3) of section eighteen of the Finance (No. 2) Act, 1940, and of all other powers enabling them in that behalf, hereby make the following Order:—

1. The date for the coming into operation of the tax chargeable by virtue of Part V of the Finance (No. 2) Act, 1940, shall be the twenty-first day of October, nineteen hundred and forty.

2. This Order may be cited as the Purchase Tax (Commencement) Order, 1940.

Deduction of Income Tax (Schedule E) Regulations, 1940.

No. 1776, 3rd October, 1940.

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REGULATIONS DATED 3RD OCTOBER, 1940, MADE BY THE COMMISSIONERS OF INLAND REVENUE UNDER SECTION 11 OF THE FINANCE (NO. 2) ACT, 1940 (3 & 4 GEO. 6. C. 48).

1. These Regulations may be cited as the Deduction of Income Tax (Schedule E) Regulations, 1940.

2.—(1) In these Regulations, unless the context otherwise requires:—

"assessment" means an assessment under Schedule E and "tax" means income tax chargeable under such an assessment;

"emoluments" means all salaries, fees, wages, perquisites or profits or gains whatsoever arising from an office or employment, or the amount of any annuity or pension, and references to payments of emoluments include references to payments on account of emoluments;

"employee" means any person in receipt of emoluments;

"employer" means any person paying emoluments, whether on his own account or on behalf of another person;

"half-yearly assessment" means an assessment made upon a weekly wage-earner to whom the provisions of the Income Tax Acts with regard to half-yearly assessment apply;

"notification" means a notification issued to an employer by a Collector of Taxes requiring him to deduct tax in accordance with these Regulations;

other expressions have the same meaning as in the Income Tax Acts.

(2) The Interpretation Act, 1889, shall apply to these Regulations as it applies to an Act of Parliament.

3.—(1) Where an employee has been charged to tax, and his employer for the time being is required by the Collector of Taxes, by means of a notification issued in that behalf, to deduct the tax, or any part of the tax, from any emoluments which he pays to the employee, the employer shall deduct such tax in accordance with these Regulations.

(2) The tax included in a notification may extend to tax charged in respect of the year of assessment then current or to tax charged in respect of any previous year of assessment;

Provided that tax charged in respect of years of assessment prior to the year ending on the 5th April, 1941, shall not be included without the consent of the employee.

(3) Where the employee is a married woman, the tax charged in respect of her emoluments may be included in a notification to her employer as if she had been assessed and charged in her own name, whether or not she has been so assessed and charged, and these Regulations shall have effect accordingly.

(4) Any employee whose tax is to be notified to his employer for deduction shall be informed to that effect in such manner as the Commissioners of Inland Revenue may direct.

4. The notification shall specify the name of the employee, the amount of tax which the employer is required to deduct, and the period during which the tax is to be deducted (referred to in these Regulations as "the deduction period"); but save as aforesaid it shall not disclose any particulars whatever relating to the income of the employee, or to the reliefs from Income Tax to which he is entitled, or to the year for which or the source of the emoluments in respect of which the tax is charged.

5.—(1) Upon receipt of a notification the employer shall deduct the tax specified in the notification in equal instalments from all payments of emoluments which he makes to the employee during the deduction period;

Provided that in the case of a half-yearly assessment the tax shall be deducted by equal instalments from all payments of emoluments during the period beginning on the first day of the deduction period and ending 15 days before the end of the deduction period, and any amount which cannot be deducted shall be deducted from the emoluments paid during the said 15 days;

Provided further that where one part of the total emoluments is paid at longer intervals than another part the Collector may determine the amount of each instalment, and the employer shall thereupon deduct the tax in such instalments as the Collector shall have determined.

(2) For the purposes of these Regulations instalments shall be deemed to be equal if they are equal to the nearest penny.

6.—(1) Where the tax is charged under an assessment other than a half-yearly assessment, the deduction period shall be—

(*a*) in the case of tax which, but for its inclusion in a notification, would be payable on the 1st January in the year of assessment, the period beginning on the preceding 1st November or the day next after the day on which the notification is issued by the Collector, whichever date is the later, and ending on the following 30th April;

(*b*) in the case of tax which, but for its inclusion in a notification, would be payable on the 1st July in the year following the year of assessment, the period beginning on the preceding 1st May or the day next after the day on which the notification is issued by the Collector, whichever date is the later, and ending on the following 31st October;

(*c*) in any other case, the period beginning on the date shown in the notification issued by the Collector and ending on the following 30th April or 31st October, whichever date is the earlier.

(2) Where the tax is charged under a half-yearly assessment, the deduction period shall be—

(*a*) in the case of tax which, but for its inclusion in a notification, would be payable on the 1st January in the year of assessment, the period beginning on the said 1st January or the day next after the day on which the notification is issued by the Collector, whichever date is the later, and ending on the following 30th June;

(*b*) in the case of tax which, but for its inclusion in a notification, would be payable on the 1st July in the year following the year of assessment, the period beginning on the said 1st July or the day next after the day on which the noti-

fication is issued by the Collector, whichever date is the later, and ending on the following 31st December;

(*c*) in any other case, the period beginning on the date shown in the notification issued by the Collector and ending on the following 30th June or 31st December, whichever date is the earlier.

(3) If a notification is not received by the employer in sufficient time for tax to be deducted from the first payment of emoluments made during the deduction period, the employer may make that payment without any deduction of tax, and in that event the deduction period, for the purpose of determining the amounts of tax to be deducted from subsequent payments, shall be deemed to begin on the day following the day on which that payment was made.

7.—(1) If, in the case of any employee paid weekly, the gross amount of any payment of emoluments from which an instalment of tax is to be deducted would be reduced by that deduction to an amount less than £2 2s. 0d., the employer shall deduct so much only of that instalment as will reduce the gross amount of the payment £2 2s. 0d.;

Provided that any employee who signs and delivers to his employer a declaration in the prescribed form to the effect that he is entitled under the Income Tax Acts to the personal allowance applicable to a married person shall be entitled to have the figure of £3 2s. 0d. substituted for the figure of £2 2s. 0d. in determining the restriction to be made under this Regulation of the tax to be deducted.

(2) Any employee who is paid monthly shall be entitled to have the tax deducted from his emoluments restricted in like manner as in paragraph (1) of this Regulation, but in his case the figures £8 8s. 0d. and £12 8s. 0d. shall be substituted for the figures £2 2s. 0d. and £3 2s. 0d. respectively.

(3) Where a deduction has been restricted by virtue of either of the foregoing paragraphs of this Regulation the balance of the instalment shall, subject to the provisions of the said paragraphs, be deducted in equal instalments from the payments of emoluments made during the remainder of the deduction period or, in the case of an employee assessable half-yearly, in accordance with the first proviso to Regulation 5.

8.—(1) At any time before the end of the deduction period the Collector may issue a notification amending the amount of tax shown by any previous notification as deductible during that period.

(2) If the amount of tax already deducted is less than such amended amount, the difference between those two amounts shall be treated as the tax to be deducted in accordance with Regulation 5 during the remaining part of the deduction period.

(3) If the amount of tax already deducted is equal to or greater than such amended amount, no further tax shall be deducted by the employer during that deduction period and any necessary repayment shall be made to the employee by the Commissioners of Inland Revenue.

9. Where an appeal or objection has been made by an employee against an assessment the Inspector of Taxes shall, as soon as may be, issue to the Collector a statement showing the amount of tax not in dispute, and, so long as the appeal or objection remains undetermined, that amount shall thereafter be regarded for the purposes of these Regulations as the amount of tax payable under that assessment;

Provided that if the employee claims that the amount of tax not in dispute is less than the amount shown on the Inspector's statement the amount not in dispute shall be determined by the Commissioners by whom an appeal against the assessment falls to be heard, and thereupon the statement shall be amended or confirmed in accordance with that determination.

10. Not later than the 14th day of every month the employer shall render to the Collector a return as regards each employee in respect of whom he has recived a notification and to whom he has ceased at any time during the previous month to pay emoluments showing—

(*a*) the name and last known address of the employee,

(*b*) the date upon which the payment of emoluments ceased,

(*c*) the total amount of tax deducted during the deduction period in which the payment of emoluments ceased, and

(*d*) the total amount of emoluments of the employee for the period since the previous 5th Apri, or, in the case of a weekly wage earner chargeable half-yearly, for the period from the previous 5th April or the previous 5th October, whichever is the later, up to and including the date on which the payment of emoluments ceased.

11.—(1) Not later than the 14th day of every month the employer shall pay to the Collector all amounts of tax which he has deducted under these Regulations during the preceding month.

(2) The Collector shall give the employer a receipt on the prescribed form for the total amount so paid.

(3) Any amount of tax which an employer is required to pay to the Collector under this Regulation shall be a debt due to the Crown from the employer which without prejudice to any other method of recovery shall also be recoverable in the same manner as if it had been declared by an Act of Parliament to be recoverable summarily as a civil debt.

12. If the employer fails wilfully and without reasonable cause to deduct any amount of tax which he is required under these Regulations to deduct, he shall nevertheless remain liable to pay the said amount to the Collector as if he had deducted it, and the provisions of Regulations 11 and 13 shall with the necessary modifications apply to the payment and recovery of and the giving of a receipt for any such amount.

13.—(1) Where as regards any employee the Collector has reason to believe that the employer has in respect of any month during a deduction period failed to pay by the date specified in Regulation 11 the tax which he is required to pay to the Collector in accordance with that Regulation, he may give notice accordingly to the Commissioners who signed and allowed the assessment in respect of which the tax is charged, or in the case of a half-yearly assessment to the General Commissioners for the division in which the assessment was made, or, in Northern Ireland, to the Special Commissioners, and thereupon those Commissioners shall issue a precept to the employer requiring him to deliver to them within the time limited by the precept a schedule containing particulars of the emoluments paid, the amount of tax deducted and such other information as they may require.

(2) The said Commissioners shall determine the amount of tax which the employer was liable to pay as aforesaid and shall certify under their hands the amount so determined and the amount which renains unpaid; and a certificate given by the said Commissioners and purporting to be given in pursuance of this Regulation shall be evidence that the sum mentioned therein as being unpaid is unpaid and is due and owing to the Crown.

14. Not later than the 14th day of the month following the end of the deduction period the employer shall render a return to the Collector showing in respect of each amount of tax which he has been required to deduct the total amount deducted during the period and the amount, if any, which he has been unable to deduct, together with the reason for the non-deduction.

15. After the end of any deduction period the employee may apply to the Collector for a certificate of the amount of tax which has been deducted from his emoluments during that deduction period.

16. In the event of the death of an employer, any return which the deceased would have been liable to render under Regulation 10 or Regulation 14 shall be rendered—

(*a*) in the case of an employer paying emoluments on his own account, by the personal representative of the deceased; and

(*b*) in the case of an employer paying emoluments on behalf of another person, by the person succeeding him, or, if there is no such person succeeding him, by the person on whose behalf the deceased paid emoluments.

17. Any tax which is not included in any notification may be recovered in the manner provided by the Income Tax Acts.

18. Except where the employer is liable under Regulation 12, any amount of tax which has been included in a notification but has not been deducted from emoluments paid to the employee shall be deemed to have become payable on the date on which it would have become payable if it had not been included in any notification and may be recovered from the employee in like manner as tax which has not been so included.

19. A notification may be issued by the Collector for the parish in which the employer carries on business, or, if he carries on business in more than one parish, by the Collector for any such parish, or by the Collector for the parish in which the employer resides, or by the Collector for the parish in which the emoluments are paid, as the case may require, and where that Collector is not the Collector for the parish in which the tax is charged he shall be furnished by the last-mentioned Collector with such information regarding the tax charged as may be necessary for the purpose of the notification.

20.—(1) Sections 175 and 176 of the Income Tax Act, 1918, shall not apply in relation to tax charged under Schedule E.

(2) At such times as the Commissioners of Inland Revenue may appoint, the Inspector of Taxes shall prepare and sign schedules of tax which has been discharged for causes allowed by the Income Tax Acts, and shall transmit them to the Commissioners of Inland Revenue.

(3) Where tax is in arrear, a certificate by the Inspector of Taxes that the tax has been charged and is due, together with a certificate by the Collector that payment of the tax has not been made to him; or the best of his knowledge and belief to any other person on his behalf, shall be evidence that the sum mentioned in the certificate is unpaid and is due and owing to the Crown.

21. Summary proceedings may be commenced or continued by any duly authorised Collector who holds a warrant for the parish in which the assessment was made or who is authorised to issue a notification under Regulation 19.

22. The Commissioners of Inland Revenue may direct that the Inspector of Taxes shall, in respect of Income Tax charged charged under Schedule E in any division or place in Great Britain:—

(*a*) exercise all the functions of assessor,

(*b*) abstract the particulars contained in returns into the assessment books,

(*c*) issue notices of assessment, to the persons charged, on behalf of the Commissioners who signed and allowed the assessments,

(*d*) give effect in the books of assessment to any authorised amendments.

(*e*) cast up and total the sums in each page of the books of assessment,

(*f*) prepare and sign the duplicate of assessment to be transmitted to the Collector,

and thereupon these duties shall be performed by the Inspector of Taxes and shall cease to be performed by the persons who are charged with them under the Income Tax Acts.

23. For the purpose of determining any matter which under the provisions of these Regulations they are required to determine, any body of Commissioners may

(*a*) issue a precept ordering any employer or employee to furnish such particulars as they require,

(*d*) require any employer or employee to attend before them to be examined orally, and

(*e*) summon and examine witnesses in like manner as the General Commissioners in the matter of determining appeals against assessments under the Income Tax Acts.

24. Any notification which under these Regulations is authorised to be issued by a Collector may be sent by post.

25. In the application of these Regulations to Northern Ireland any reference to a parish shall be taken to include a reference to any area for which a Collector is appointed.

26. Nothing in these Regulations regarding deduction of tax shall affect the deduction of tax in any case where tax is deductible from emoluments otherwise than by virtue of these Regulations.

Purchase Tax (United Kingdom and Isle of Man) Order.

No. 2155, 19th December, 1940.

1.—(1) This Order may be cited as the Purchase Tax (United Kingdom and Isle of Man) Order, 1940.

(2) In this Order—

the expression "the United Kingdom Act" means the Finance (No. 2) Act, 1940; and

the expression "the Isle of Man Act" means the Purchase Tax Act, 1940, of Tynwald;

and in those Acts those expressions shall have the same meanings.

(3) The Interpretation Act, 1889, shall apply to the interpretation of this Order as it applies to the interpretation of an Act of Parliament.

2.—(1) The removal from or into the Isle of Man into or from the United Kingdom of any goods shall not be treated either for the purposes of Part V of the United Kingdom Act or for the purposes of the Isle of Man Act as an importation or exportation of the goods.

(2) The exportation from the Isle of Man of goods which have been removed into the Isle of Man from the United Kingdom shall be treated for the purposes of Part V of the United Kingdom Act as an exportation thereof from the United Kingdom, and the exportation from the United Kingdom of goods which have been removed into the United Kingdom from the Isle of Man shall be treated for the purposes of the Isle of Man Act as an exportation thereof from the Isle of Man.

(3) In Part V of the United Kingdom Act and in the Isle of Man Act any reference to goods being entered for home use shall be construed as a reference to their being entered for home use either in the United Kingdom or in the Isle of Man.

3. Any such person as the following, that is to say—

(*a*) such a wholesale merchant or manufacturer as is mentioned in subsection (1) of section twenty-three of the United Kingdom Act or in subsection (1) of section seven of the Isle of Man Act,

(*b*) such a manufacturer as is mentioned in subsection (2) of the said section twenty-three, or in subsection (2) of the said section seven, who satisfies the Commissioners as therein mentioned, and

(*c*) a person as to whom the Commissioners are satisfied as mentioned in subsection (1) of section twenty-six of the United Kingdom Act, or in subsection (1) of section twenty-six of the United Kingdom Act, or in subsection (1) of section ten of the Isle of Man Act,

being a person who apart from this provision would by virtue of those subsections be required to be registered both under Part V of the United Kingdom Act and under the Isle of Man Act, shall be registered under one or other of those enactments, as the Commissioners may determine, but not under both.

4.—(1) Subsection (2) of section eighteen of the United Kingdom Act shall have effect as if for the words "with the exception of purchases of goods by a registered wholesale merchant as stock for his business or by a registered manufacturer as materials" there were substituted the words "with the exception of purchases by a wholesale merchant or manufacturer within the meaning of this Part of this Act or the Isle of Man Act who is registered under either of those enactments of goods as

stock for his business in the case of a wholesale merchant or as materials in the case of a manufacturer".

(2) Subsection (2) of section two of the Isle of Man Act shall have effect with the like substitution, except that instead of the words "this Part of this Act or the Isle of Man Act" there shall be inserted the words "this Act or Part V of the United Kingdom Act".

5.—Paragraph (*a*) of subsection (2) of section eighteen of the United Kingdom Act, and paragraph (*a*) of subsection (2) of section two of the Isle of Man Act, shall have effect as if after the words "other than one who is not required by this Act to be registered" there were inserted the words "or one who being so required is excepted from that requirement by virtue of a determination of the Commissioners under Article 3 of the Purchase Tax (United Kingdom and Isle of Man) Order, 1940".

6.—Paragraph (*a*) of, and the proviso to, subsection (2) of section eighteen of the United Kingdom Act shall have effect as if for the words "the United Kingdom", wherever those words occur therein, there were substituted the words "the United Kingdom or the Isle of Man"; and paragraph (*a*) of, and the proviso to, subsection (2) of section two of the Isle of Man Act, shall have effect as if for the words "the Isle of Man", wherever those words occur therein, there were substituted the words "the Isle of Man or the United Kingdom".

7.—(1) Subsection (1) of section twenty-four of the United Kingdom Act shall have effect as if for the words from "A purchase shall be deemed" to "this Act" there were substituted the words "A purchase shall be deemed to be a purchase falling within the exception specified in subsection (2) of section eighteen of this Act if a representation is made to the seller in the prescribed manner and at the prescribed time by the buyer that he is the holder of a certificate of registration issued either under this Part of this Act or under the Isle of Man Act"; and subsection (1) of section eight of the Isle of Man Act shall have effect with the substitution except that instead of the words "section eighteen" there shall be inserted the words "section two", and that instead to the words "this Part of this Act or under the Isle of Man Act" there shall be inserted the words "this Act or under Part V of the United Kingdom Act".

(2) Paragraph (*a*) of the proviso to subsection (1) of the said section twenty-four shall have effect as if for the words "the United Kingdom" there were substituted the words "the United Kingdom or the Isle of Man"; and paragraph (*a*) of the proviso to subsection (1) of the said section two shall have effect as if for the words "the Isle of Man" there were substituted the words "the Isle of Man or the United Kingdom".

(3) Subsection (3) of the said section twenty-four shall have effect as if for the words "certificate of registration issued under this Part of this Act" there were substituted the words "certificate of registration issued either under this part of this act, or under the Isle of Man Act"; and subsection (3) of the said section eight shall have effect as if the words "certificate of registration issued either under this Act or under Part V of the United Kingdom Act".

8.—(1) Subsection (1) of section twenty-five of the United Kingdom Act shall have effect as if—

(*a*) for the words "registered manufacturers" there were substituted the words "manufacturers within the meaning of this Part of this Act or the Isle of Man Act who are registered under either of those enactments";

(*b*) after the words "purchase which is a chargeable purchase" there were inserted the words "under either of those enactments"; and

(*c*) for the words "to a registered wholesale merchant as stock for his business or to a registered manufacturer as materials" where were substituted the words "to a wholesale merchant within the meaning of this Part of this Act or the Isle of Man Act who is registered under either of those enactments as stock for his business or to such a manufacturer as aforesaid as materials".

(2) Subsection (1) of section nine of the Isle of Man Act shall be amended in like manner except that instead of the words "this Part of this Act or the Isle of Man Act "there shall be inserted the words "this Act or Part V of the United Kingdom Act".

9.—(1) Subsection (4) of section thirty-five of the United Kingdom Act shall have effect as if for the words "certificate of registration issued under this Part of this Act" there were substituted the words "certificate of registration issued either under this Part of this Act or under the Isle of Man Act".

(2) Subsection (4) of section nineteen of the Isle of Man Act shall have effect as if for the words "certificate of registration issued under this Act" there were substituted the words "certificate of registration issued either under this Act or under Part V of the United Kingdom Act".

10. If apart from this provision any purchase would be a chargeable purchase both under Part V of the United Kingdom Act and under the Isle of Man Act, that purchase shall be chargeable purchase under Part V of the United Kingdom Act, only.

Purchase Tax (No. 2) Regulations, under Part V of the Finance (No. 2) Act, 1940 (3 & 4 Geo. 6. c. 48).

No. 2194, 26th December, 1940.

The Commissioners of Customs and Excise in exercise of the powers conferred upon them by Part V of the Finance (No. 2) Act, 1940 (hereinafter referred to as "the Act"), hereby make the following Regulations:—

1. Applications from persons carrying on business in such circumstances that they are required under subsection (1) of section 23 of the Act to be registered shall be made in a form approved by the Commissioners and containing such particulars of the business carried on by such persons as the Commissioners may require.

2. A manufacturer who is not required by subsection (1) of section 23 of the Act to be registered shall, for the purpose of satisfying the Commissioners under the provisions of subsection (2) of the said section 23 that he uses chargeable goods in substantial quantities as materials, furnish to them such information as they may require for the purpose of being so satisfied in such form and manner as they may direct.

3. Every person who appears to the Commissioners to be carrying on a business which consists of or includes that of a wholesale merchant or manufacturer or the making of such purchases as are mentioned in section 26 of the Act shall furnish to the Commissioners such information relating to his business within such time and in such form as they may require for the purpose of determining whether such person ought to be registered.

4. Where a registered person becomes aware or has reasonable cause for believing that the circumstances of his business have so changed that his registration ought to be varied or cancelled he shall forthwith give information of such change to the Commissioners specifying all facts relevant for determining whether the registration ought to be varied or cancelled.

5. Every certificate of registration issued under Part V of the Act shall be in the form set out in the Schedule to these Regulations, or in such other form as the Commissioners may direct.

Every such certificate shall continue in effect so long as the registration in pursuance of which it was issued continues in effect or until the Commissioners otherwise direct.

The Commissioners may, where the circumstances require, vary such certificate or issue a new certificate in lieu thereof. Any certificate so varied shall have effect as so varied.

The person to whom a certificate is issued shall keep the same at his principal place of business or at such place as the Commissioners may direct. He shall produce the same upon demand to any officer or other official of the Customs and Excise and shall surrender the same to the Commissioners immediately upon its ceasing to continue in effect or upon demand by them.

6. On the entry for home use of any chargeable goods imported into the United Kingdom security for tax which may become chargeable in respect thereof by reason of their being bought under a purchase which is a chargeable purchase by virtue of paragraph (*c*) of subsection (2) of section 18 of the Act shall be given by the person by whom or on whose behalf the goods are entered, in such form as the Commissioners may require.

7. On the entry for home use of any goods in respect of which tax then becomes due the proper tax payable shall be paid to the proper officer of Customs and Excise upon delivery of the entry; provided that in the case of goods imported by post the proper tax payable shall where demanded by him be paid to the officer of the Post Office before delivery of the goods to the addressee.

8. On the entry for home use of any goods in respect of which tax then becomes due or in respect of which the Commissioners require security to be given, the person by whom or on whose behalf the goods are entered for home use shall produce to the proper officer of Customs and Excise a declaration in respect of the goods duly completed in such form and containing such particulars as the Commissioners may require.

9. Every registered person shall keep full and true accounts of all purchases of chargeable goods made from or by him and all such appropriations and applications as are mentioned in section 25 of the Act made by him and the amount of tax chargeable and becoming due by virtue thereof and containing such particulars in such form as the Commissioners may generally or in any particular case approve or require.

10.—(1) Every registered person shall not later than the 10th day of January, 1941, furnish to the Collector in a form approved by the Commissioners a return of the amount of tax for which he is accountable in respect of the period commencing on the date of the coming into operation of the tax and ending on the 31st day of December, 1940, and shall not later than the 10th day of March, 1941, furnish to the Collector a like return of the amount of tax for which he is accountable in respect of the period commencing on the 1st day of January, 1941, and ending on the 28th day of February, 1941, and thereafter shall make like returns in respect of such periods as the Commissioners shall prescribe.

(2) At the time of making the returns aforesaid the registered person shall pay to the Collector the amount of tax appearing by such returns to be due from him.

(3) Where a person ceases to be registered during any such period as aforesaid he shall not later than ten days after ceasing to be registered furnish to the Collector such a return as is mentioned in paragraph (1) of this Regulation in respect of that part of the said period during which he was registered and shall at the time of making such return pay to the Collector the amount of tax appearing by the return to be due from him or, if the Commissioners so direct, give security to their satisfaction for the payment of such tax.

11.—(1) (*a*) If upon demand made by the Collector a person neglects or refuses to pay in accordance with the last preceding Regulation tax which he is thereby required to pay, the Commissioners may direct the Collector, for non-payment thereof, to distrain on the goods and chattels of such person, and where the Commissioners so direct, the Collector may by warrant signed by him authorise any officer of Customs and Excise to levy such distress.

(*b*) The provisions of subsections (2) to (5) of section 162 of the Income Tax Act, 1918, shall have effect in relation to any such distress as they have effect in relation to the distress under subsection (1) of the said section with the substitution for references to a collector of references to an officer of Customs and Excise and for the reference to the general commissioners of a reference to the Commissioners of Customs and Excise.

(2) In Scotland, the following provisions shall have effect:—

(*a*) Upon certificate made to them by the Collector that any tax is due and has not been paid in accordance with the last preceding Regulation the Commissioners or sheriff or sheriff substitute for the county shall issue a warrant for the said Collector recovering the said tax by poinding the goods and effects of any person entered in the certificate as being a defaulter.

(*b*) The provisions of subsections (2) to (9) of section 166 of the Income Tax Act, 1918, except such of the provisions of subsection (8) of that section as relate to the commitment of persons to prison where no goods or effects sufficient for payment of tax can be found to be poinded and the person liable neglects or refuses to pay the same, shall have effect in relation to any such poinding as they have effect in relation to the poinding under subsection (1) of the said section, with the substitution for references to the general commissioners of references to the Commissioners of Customs and Excise, and for the reference in subsection (9) to the collector of a reference to the officer of Customs and Excise.

12. If any person fails to furnish a return as required by these Regulations or furnishes an incomplete return the Commissioners may, without prejudice to any penalties which may be incurred by such person, determine the amount of the tax appearing to them to be due from such person and demand payment thereof, which amount shall be deemed to be the proper tax due from such person and shall be paid within seven days of such demand unless within that time it is shown to the satisfaction of the Commissioners that some other amount is the proper tax due which other amount shall immediately be paid to the Commissioners.

13. Where a registered wholesale merchant or manufacturer dies or becomes subject to any incapacity his personal representative, trustee, receiver or committee as the case may be shall from the date of the death or incapacity until the registration of a person carrying on the business be treated as a registered wholesale merchant or manufacturer by way of representation of such registered wholesale merchant or manufacturer as aforesaid, and during that period all the provisions of the Act and of any regulations made thereunder shall apply to such personal representative, trustee, receiver or committee as if he were a registered wholesale merchant or manufacturer.

14. Every person concerned with the purchase or importation of goods or dealings with imported goods shall furnish to the Commissioners within such time and in such form as they may in any case require information relating to the goods or to the purchase or importation thereof or dealings therewith as they may specify and shall produce at his premises or elsewhere as the Commissioners may appoint for inspection to an officer or other official of Customs and Excise upon demand any books or accounts or other documents of whatever nature relating thereto.

15. The representation by the buyer for the purpose of subsection (1) of section 24 of the Act (which relates to purchases that are to be treated as purchases of wholesale merchant's stock or manufacturer's materials) shall be made by the buyer delivering to the seller before delivery of the goods under the purchase a written order for the goods containing a statement in writing in one of the following forms as the case may be:—

In the case of a registered wholesale merchant, or of a person registered under the provisions of section 26 of the Act:—

"Purchase by , holder of Purchase Tax Certificate No. of goods as stock intended for sale by him (them)."

In the case of a registered manufacturer:—

"Purchase by , holder
of Purchase Tax Certificate No. of goods
as materials intended for use by him (them) as materials."

Any such statement shall be signed by the registered person or on his behalf by some person duly authorised by him in writing in a form approved by the Commissioners and shall be retained by the seller and produced on demand to the proper officer or other official of the Customs and Excise.

16. In the case of imported goods entered for home use which have been purchased by a registered wholesale merchant as stock for his business or by a registered manufacturer as materials, and in the case of imported goods purchased by an unregistered person from a registered person by whom or on whose behalf the goods are entered, the person in each such case by whom or on whose behalf the goods are entered shall on entry being made make and subscribe a statement in the following terms:—

"Importation by holder of
Purchase Tax Certificate No.
of goods as stock intended for sale by him
of goods as materials intended for use by him as materials
of goods already sold by him.

Signed .....
Registered person or authorised agent.

Date ....."

17. For the purpose of the proviso to subsection (2) of section 21 of the Act (which relates to disputes as to the wholesale value of any goods), the prescribed period shall be a period of fourteen days from the time when the Commissioners' opinion as to the wholesale value of the goods has been communicated to the person accountable for the tax.

18. In these Regulations unless the context otherwise requires or admits "Collector" means the Collector of Customs and Excise for the Collection in which the principal place of business of the registered person is situated.

19. In so far as it may be necessary to meet the circumstances of any special case or class of case, the Commissioners may modify the application of anything in these Regulations, subject to such conditions as they may direct.

20. The Purchase Tax Regulations, 1940, are hereby revoked but without prejudice to the operation thereof as respects things done or omitted to be done thereunder.

21.—(*a*) The Interpretation Act, 1889, applies to the interpretation of these Regulations as it applies to the interpretation of an Act of Parliament.

(*b*) These Regulations may be cited as "The Purchase Tax (No. 2) Regulations, 1940".

SCHEDULE

FORM OF PURCHASE TAX CERTIFICATE OF REGISTRATION

REGISTERED NUMBER .....

This is to certify that .....

.....

of.....

.....

carrying on business as a .....

has / have been registered in connection with the Purchase Tax.

Official Date Stamp

Secretary to the Commissioners of Customs and Excise.

Officer's Initials.....

V. 金　融

1. 金融一般

Order in Council amending Regulation 9 of the Defence (Finance) Regulations (Isle of Man), 1939.

No. 930, 11th June, 1940.

His Majesty, in pursuance of section one of the Emergency Powers (Defence) Act, 1939, as extended to the Isle of Man by the Emergency Powers (Isle of Man Defence) Order in Council, 1939, and of all other powers enabling Him in that behalf, is pleased, by and with the advice of His Privy Council, to order, and it is hereby ordered that Regulation nine of the Defence (Finance) Regulations (Isle of Man), 1939, shall be amended as follows:—

(*a*) for the words "shall apply for the purpose of the enforcement of these Regulations" there shall be substituted the words "shall, subject to the subsequent provisions of this Regulation, apply for the purpose of the enforcement of these Regulations";

(*b*) for the words "Provided that anything" there shall be substituted the words "(2) Anything"; and

(*c*) at the end of the Regulation there shall be added the following paragraph—

"(3) Where any person is convicted of an offence against any of these Regulations in relation to any security, currency, gold, banknote, postal order, bill, note, debt, payment or goods, the maximum fine which may by imposed on him shall be such fine as is authorised by paragraph (*a*), or, as the case may be, paragraph (*b*) of Regulation ninety-two of the Defence Regulations (Isle of Man), 1939, or a fine equal to three times the value of the security, currency, gold, banknote, postal order, bill, note, debt, payment or goods, whichever is the larger.

In this paragraph, the expression 'security' has, in relation to an offence against any of these Regulations, the same meaning as in the Regulation in question, and the expression 'currency' includes a right to receive foreign currency in respect of a credit or balance at a bank."

Order in Council amending Regulation 9 of the Defence (Finance) Regulations, 1939.

No. 929, 11th June, 1940.

His Majesty, in pursuance of the Emergency Powers (Defence) Acts, 1939 and 1940, and of all other powers enabling Him in that behalf, is pleased, by and with the advice of His Privy Council, to order, and it is hereby ordered that Regulation nine of the Defence (Finance) Regulations, 1939, shall be amended as follows:—

(*a*) for the words "shall apply fof the purpose of the enforcement of these Regulations" there shall be substituted the words "shall, subject to the subsequent provisions of this Regulation, apply for the purpose of the enforcement of these Regulations";

(*b*) for the words "Provided that anything" there shall be substituted the words "(2) Anything"; and

(*c*) at the end of the Regulation there shall be added the following paragraph—

"(3) Where any person is convicted of an offence against any of these Regulations in relation to any security, currency, gold, banknote, postal order, bill, note, debt, payment or goods, the maximum fine which may be imposed on him shall be such fine as is authorised by paragraph (*a*), or, as the case may be, paragraph (*b*), of Regulation ninity-two of the Defence (General) Regulations, 1939, or a fine equal to three times the value of the security, currency, gold, banknote, postal order, bill, note, debt, payment or goods, whichever is the larger:

Provided that nothing in this paragraph shall be construed as limiting the fine which may be imposed on the conviction of a corporation on indictment.

In this paragraph, the expression 'security' has, in relation to an offence against any of these Regulations, the same meaning as in the Regulation in question, and the expression 'currency' includes a right to receive foreign currency in respect of a credit or balance at a bank."

Defence (Finance) (Restriction of Payments) (No. 2) Order.

No. 943, 12th June, 1940.

1. Paragraph (1) of the said Regulation 3C shall apply in relation to persons resident in the territory specified in the Schedule to this Order, and it is hereby declared that the said territory is such a territory as is mentioned in sub-paragraph (*a*) of paragraph (2) of the said Regulation.

2. This Order may be cited as the Defence (Finance) (Restriction of Payments) (No. 2) Order, 1940.

3. This Order shall come into operation on the fourteenth day of June, 1940.

SCHEDULE

The Argentine Republic.

Clearing Office (Roumania) Amendment Order, under sections 1 and 3 of the Debts Clearing Offices and Imports Restrictions Act, 1934 (24 & 25 Geo. 5. c. 31).

No. 963, 15th June, 1940.

1. The Principal Order shall not apply to debts in respect of

(i) the price of Roumanian goods imported into the United Kingdom which are exported from Roumania on or after the 17th day of June, 1940, or

(ii) any bill of exchange given by way of payment of a debt in respect of the price of any such goods.

2. Notwithstanding anything contained in Article 8 of the Principal Order as amended by the Clearing Office (Roumania) Amendment Order, 1939, any sums received by the Clearing Office by virtue of the Principal Order may be applied in accordance with such arrangements as may be made between His Majesty's Government in the United Kingdom and the Royal Roumanian Government with a view to the winding up and final distribution of the sums received by the Clearing Office by virtue of the Principal Order.

3.—(1) This Order may be cited as the Clearing Office (Roumania) Amendment Order, 1940, and shall come into force on the 17th day of June, 1940.

(2) The Interpretation Act, 1889, shall apply to the interpretation of this Order as it applies to the interpretation of an Act of Parliament.

SCHEDULE.

Agreement Terminating the Agreement of the 12th July, 1939, Between the Government of the United Kingdom and the Royal Roumanian Government Regarding Trade and Payments.

Whereas the Government of the United Kingdom of Great Britain and Northern Ireland and the Royal Roumanian Government desire to facilitate payments between the United Kingdom and Roumania;

Now, therefore, the Government of the United Kingdom of Great Britain and Northern Ireland and the Royal Roumanian Government have agreed as follows:—

Article 1.

The Agreement regarding trade and payments signed at London on the 12th July, 1939, between the two Contracting Governments (hereinafter referred to as the "Payments Agreement") is hereby abrogated save that, unless the two Contracting Governments otherwise agree, payments due under the Payments Agreement and remaining unpaid at the date of the coming into force of the present Agreement shall continue to be made and applied and monies held at that date in accounts opened for purposes specified in the Payments Agreement shall be applied in the manner provided for in that Agreement and that any payment properly made or received under that Agreement shall be regarded as a valid payment or receipt.

Article 2.

The Roumanian Government undertake, within the limits of the sterling sums

resulting from exports to the United Kingdom, to provide the amounts necessary to ensure that the commercial and financial obligations for which provision was made in the Payments Agreement shall be punctually paid.

Article 3.

The present Agreement shall come into force on the 17th June, 1940.

In witness whereof the undersigned, being duly authorised thereto by their respective Governments, have signed the present Agreement and have affixed thereto their seals.

Done in duplicate at London, this sixth day of June, 1940, in English and Roumanian, both texts being equally authentic.

For the Government of the United Kingdom of Great Britain and Northern Ireland:

(L. S.) HALIFAX.

For the Royal Roumanian Government

(L. S.) V. V. TILEA.

(L. S.) D. N. IORDAN.

Defence (Finance) (Restriction of Payments) (No. 3) Order.

No. 964, 15th June, 1940.

1. Subject to the provisions of this Article, paragraph (1) of the said Regulation 3c shall apply in relation to persons resident in Roumania:

Provided that the said paragraph (1) shall not apply to the payment of any debt which, under the provisions of Articles 2 and 3 of the Clearing Office (Roumania) Order, 1936, as amended by the Clearing Office (Roumania) Amendment Order, 1940, is required to be paid to the Bank of England for account of the Anglo-Roumanian Clearing Office.

2. It is hereby declared that Roumania is such a territory as is mentioned in sub-paragraph (*a*) of paragraph (2) of the said Regulation 3c.

3. This Order may be cited as the Defence (Finance) (Restriction of Payments) (No. 3) Order, 1940.

4. This Order shall come into operation on the seventeenth day of June, 1940.

Defence (Finance) (Restriction of Payments) (No. 4) Order.

No. 1039, 21st June, 1940.

1. Paragraph (1) of the said Regulation 3C shall apply in relation to persons resident in the territory specified in the Schedule to this Order, and it is hereby declared that the said territory is such a territory as is mentioned in sub-paragraph (*a*) of paragraph (2) of the said Regulation.

2. This Order may be cited as the Defence (Finance) (Restriction of Payments) (No. 4) Order, 1940.

3. This Order shall come into operation on the twenty-fourth day of June, 1940.

Schedule

The United States of Brazil.

Order in Council amending Regulation 3A (5) of the Defence (Finance) Regulations, 1939.

No. 1160, 2nd July, 1940.

His Majesty, in pursuance of the Emergency Powers (Defence) Acts, 1939 and 1940, and of all other powers enabling Him in that behalf, is pleased, by and with the advice of His Privy Council, to order, and it is hereby ordered that in paragraph (5) of Regulation three A of the Defence (Finance) Regulations, 1939, for the words "the Stock Exchange, London, or of the Associated Stock Exchanges, or of the Provincial Brokers' Stock Exchange", there shall be substituted the words—

"(*a*) the Stock Exchange, London, or

(*b*) the Associated Stock Exchanges, or

(*c*) the Provincial Brokers' Stock Exchange, or

(*d*) the Mincing Lane Tea and Rubber Share Brokers' Association Limited, or

(*e*) the Stock Exchange, Oldham, or

(*f*) the Association of Stock and Share Dealers."

Order in Council amending Regulation 3A of the Defence (Finance) Regulations (Isle of Man), 1939.

No. 1218, 10th July, 1940.

His Majesty, in pursuance of the Emergency Powers (Defence) Acts, 1939 and 1940, as extended to the Isle of Man by the Emergency Powers (Isle of Man Defence) Order in Council, 1939 and of all other powers enabling Him in that behalf, is pleased, by and with the advice of His Privy Council, to order, and it is hereby ordered that in paragraph (5) of Regulation three A of the Defence (Finance) Regulations (Isle of

Man), 1939, for the words "the Stock Exchange, London, or of the Associated Stock Exchanges, or of the Provincial Brokers' Stock Exchange", there shall be substituted the words—

"(*a*) the Stock Exchange, London, or

(*b*) the Associated Stock Exchanges, or

(*c*) the Provincial Brokers' Stock Exchange, or

(*d*) the Mincing Lane Tea and Rubber Share Brokers' Association Limited, or

(*e*) the Stock Exchange, Oldham, or

(*f*) the Association of Stock and Share Dealers."

Order in Council substituting new Regulations 3 to 3e for Regulations 3 to 3c, and amending Regulations 5b, 9 and 10, of the Defence (Finance) Regulations, 1939.

No. 1254, 17th July, 1940.

1. The following Regulations shall be substituted for Regulations three to three C of the Defence (Finance) Regulations, 1939:—

3.—(1) Subject to any exemptions which may be granted by order of the Treasury, no person shall, except with permission granted by or on behalf of the Treasury, take or send out of the United Kingdom any banknotes, postal orders, gold, securities or foreign currency:

Provided that nothing in this paragraph shall restrict the doing of anything within the scope of his authority by a person authorised by or on behalf of the Treasury to deal in foreign exchange.

(2) Any person who on any occassion is about to leave the United Kingdom (which person is hereafter in this Regulation referred to as "the traveller") shall, if requested so to do by the appropriate officer—

(*a*) declare whether or not he has with him any banknotes, postal orders, gold, securities or foreign currency;

(*b*) produce any banknotes, postal orders, gold, securities or foreign currency which he has with him,

and the appropriate officer and any person acting under his directions may search the traveller, and examine or search any article which the traveller has with him, for the purpose of ascertaining whether he has with him any banknotes, postal orders, gold, securities or foreign currency, and may seize any banknotes, postal orders, gold, securities or foreign currency produced or found upon such examination or search, unless either—

(i) the appropriate officer is satisfied that the traveller is, in respect of all banknotes, postal orders, gold, securities or foreign currency which he has with him on the said occasion, exempted from the restriction imposed by paragraph (1) of this Regulation; or

(ii) the traveller produces to the appropriate officer a single certificate granted by or on behalf of the Treasury, showing, with respect to all banknotes, postal orders, gold, securities or foreign currency which he has with him on the said occasion, that the taking out by him of the banknotes, postal orders, gold, securities or foreign currency does not involve a contravention of the said paragraph (1):

Provided that no female shall be searched in pursuance of this paragraph except by a female.

(3) Where any persons are about to leave the United Kingdom in any ship or aircraft, the appropriate officer and any person acting under his directions may go on board the ship or aircraft for the purpose of exercising the powers conferred on them by the last preceding paragraph, and may also examine or search the ship or aircraft for the purpose of ascertaining whether there are on board the ship or aircraft any banknotes, postal orders, gold, securities or foreign currency and may seize any banknotes, postal orders, gold, securities or foreign currency found upon such examination or search, being banknotes, postal orders, gold, securities or foreign currency which the appropriate officer has reasonable ground for suspecting to be in the ship or aircraft for the purpose of being taken or sent out of the United Kingdom in contravention of paragraph (1) of this Regulation.

(4) Nothing in the preceding provisions of this Regulation shall apply in relation to the taking or sending of anything from one part of the United Kingdom to another or from the United Kingdom to the Isle of Man, or in relation to any person travelling between one part of the United Kingdom and another or between the United Kingdom and the Isle of Man.

(5) As respects any goods consigned from the United Kingdom to a destination which is neither in the United Kingdom nor in the Isle of Man, the appropriate officer and any person acting under his directions may examine or search the goods for the purpose of ascertaining whether there are being sent therewith any banknotes, postal orders, gold, securities or foreign currency and may seize any banknotes, postal orders, gold, securities or foreign currency found upon such examination or search unless there appears to the appropriate officer to have been granted by or on behalf of the Treasury a certificate which shows

that the sending aforesaid of banknotes, postal orders, gold, securities or foreign currency does nat involve a contravention of paragraph (1) of this Regulation.

The appropriate officer and any person acting under his directions may go on board any ship or aircraft for the purpose of exercising the powers conferred on them by this paragraph in relation to any goods on board the ship or aircraft.

(6) For the purposes of this Regulation, any bill of exchange or promissory note payable otherwise than in sterling shall be deemed to be foreign currency:

Provided that this paragraph shall not apply to bills or notes payable in any currency issued by the Government of, or under the law of, any part of the sterling area, not being bills or notes which are legal tender in any part of that area.

(7) In this Regulation—

(*a*) the expression "security" includes a deposit receipt in respect of the deposit of securities, a unit or sub-unit of a unit trust, a coupon representing dividends or interest and a life or endowment assurance policy, and any document of title relating to any security;

(*b*) the expression "appropriate officer" means any officer of Customs and Excise, any immigration officer, any constable or any person authorised by a Secretary of State to act under paragraphs (2), (3) and (5) of this Regulation.

3A.—(1) Subject to any exemptions which may be granted by order of the Treasury, no person shall, either on his own behalf or on behalf of any other person, agree to transfer or acquire, or transfer, or acquire otherwise than by operation of law or by inheritance, any securities or any interest in securities, unless the Treasury or persons authorised by or on behalf of the Treasury are satisfied that no person resident outside the sterling area has, immediately before the transfer, acquisition or agreement, any interest in the securities:

Provided that nothing in this paragraph shall prohibit any agreement, transfer or acquisition which is effected with permission granted by the Treasury or by a person authorised by them or on their behalf.

(2) Subject to any exemptions which may be granted by order of the Treasury, no person shall, except with permission granted by the Treasury or by a person authorised by them or on their behalf—

(*a*) transfer any security or create or transfer any interest in a security to or in favour of a person resident outside the sterling area;

(*b*) transfer any security from a register in the United Kingdom to a register outside the sterling area, or do any act which is calculated to secure, or forms part of a series of acts which together are calculated to secure, the substitution for any security which is either in or registered in the United Kingdom of any security which is either outside or registered outside the sterling area; or

(*c*) procure that, in any register or book in which securities are registered or inscribed, an address outside the sterling area shall, except by way of substitution for any another such address, be registered in respect of any security.

In this paragraph the expression "security" includes a coupon representing dividends or interest.

(3) Subject to any exemptions which may be granted by order of the Treasury, no person who holds any securities as trustee or agent shall, except with permission granted by the Treasury or by a person authorised by them or on their behalf, do any act whereby he recognises or gives effect to the transfer of those securities or the creation or transfer of any interest therein by, to or in favour of a person resident outside the sterling area:

Provided that nothing in this paragraph shall restrict the doing of any act for the doing of which permission has been granted to any person by the Treasury or by a person authorised by them or on their behalf under any other paragraph of this Regulation, or the doing of any act recognising or giving effect to any transaction for which permission has been so granted or which has been entered into before the eleventh day of May, nineteen hundred and forty.

(4) Subject to any exemptions which may be granted by order of the Treasury, no person shall, except with permission granted by the Treasury or by a person authorised by them or on their behalf, enter any transfer of securities in any register or book in which those securities are registered or inscribed unless there has been produced to him such evidence that the transfer does not involve a contravention of this Regulation as may be prescribed by instructions issued by or on behalf of the Treasury.

(5) Nothing in paragraph (1) of this Regulation shall prohibit the making of any agreement to which one at least of the parties is a member of—

(*a*) the Stock Exchange, London, or

(*b*) the Associated Stock Exchanges, or

(*c*) the Provincial Brokers' Stock Exchange, or

(*d*) the Mincing Lane Tea and Rubber Share Brokers' Association Limited, or

(*e*) the Stock Exchange, Oldham, or

(*f*) the Association of Stock and Share Dealers,

and nothing in paragraph (2) of this Regulation shall prohibit the execution, by or on behalf of the transferor, of any instrument of transfer of securities in pursuance of any such agreement; but this paragraph shall not authorise the doing of any other act which would, apart from this paragraph, constitute a breach of this Regulation.

(6) In this Regulation—

the expression "acquire by inheritance" means acquire in the capacity of a beneficiary under a will or intestacy, or in the capacity of a personal representative of a deceased person; and

the expression "security" includes a deposit receipt in respect of the deposit of securities and a life or endowment assurance policy, but does not include a Treasury bill or any bill issued by a local authority in the United Kingdom or the Isle of Man;

and for the purposes of this Regulation an interest in securities does not include an interest in expectancy on the determination of a life, or any interest merely as a trustee.

3B.—(1) Subject to any exemptions which may be granted by order of the Treasury, no person shall, except with permission granted by the Treasury or by a person authorised by them or on their behalf, issue any bearer bond, share warrant to bearer, or other document of title by the delivery of which the title to securities or to any interest in securities is transferable:

Provided that nothing in this Regulation shall restrict the issue of any such document of title for the purpose of replacing any such document which has been lost or destroyed.

(2) In relation to the issue of documents of title relating to securities the issue of which is authorised by any Act of Parliament passed before the twenty-fourth day of August, nineteen hundred and thirty-nine, this Regulation shall bind the Crown, and the Treasury shall not, by virtue of any contract made by them or on their behalf in relation to any such securities, be required to grant any permission or exemption under the last foregoing paragraph for the issue of any document of title relating to any such securities.

(3) Coupons representing dividends or interest shall be deemed for the pur-

poses of this Regulation to be documents of title by the delivery of which a title to an interest in securities is transferable.

(4) In this Regulation the expression "security" does not include a Treasury bill or any bill issued by a local authority in the United Kingdom or the Isle of Man.

3C.—(1) Subject to any exemptions which may be granted by order of the Treasury, no person shall, except with permission granted by or on behalf of the Treasury—

(*a*) draw, issue or negotiate any bill of exchange or promissory note, or acknowledge any debt, so that a right (whether actual or contingent) to receive a payment in the United Kingdom or in the Isle of Man is created or transferred in favour of a person who is resident outside the sterling area; or

(*b*) make any payment to any such person.

(2) Subject to any exemptions which may be granted by order of the Treasury, no person shall, except with permission granted by or on behalf of the Treasury—

(*a*) draw, issue or negotiate any bill of exchange or promissory note, transfer any security or acknowledge any debt, so that a right (whether actual or contingent) to receive a payment in the United Kingdom or in the Isle of Man is created or transferred in favour of a person not resident outside the sterling area as consideration for, or in association with—

(i) the receipt by any person of a payment, or the acquisition by any person of property, outside the sterling area, or

(ii) the creation or transfer, in favour of any person, of a right (whether actual or contingent) to receive a payment, or acquire property, outside the sterling area; or

(*b*) make any payment to a person not resident outside the sterling area as such consideration or in such association as aforesaid.

In this paragraph the expression "transfer" includes, in relation to any security, transfer by way of loan or security, and the expression "security" includes a deposit receipt in respect of the deposit of securities, a unit or sub-unit of a unit trust, a coupon representing dividends or interest and a life or endowment assurance policy.

(3) Where an individual has at any time since the third day of September, nineteen hundred and thirty-nine, resided in the United Kingdom or the Isle of Man—

(*a*) until the Treasury otherwise direct, he shall be treated, for the purposes of this Regulation and of any order providing for exemptions from any of the provisions thereof, as having been, and as still being, resident in the United Kingdom or the Isle of Man and not resident outside the sterling area; and

(*b*) if any such direction is given, the Treasury may, by the same or a subsequent direction, declare the territory in which, for those purposes, he is to be treated as being resident,

and any direction given under this paragraph may be either general or special and may be revoked or varied by a subsequent direction thereunder.

(4) Nothing in this Regulation shall restrict the doing by a person authorised by or on behalf of the Treasury of anything within the scope of his authority.

3D.—(1) Where, in the case of any territory with respect to which no agreement is in force for the regulation of payments between the United Kingdom and that territory, it appears expedient to the Treasury to exercise the powers conferred on them by this Regulation, the Treasury may provide for the setting up of an account (hereafter in this Regulation referred to as a "Treasury special account") with a view to the payment into that account of sums due to persons resident in the territory in question.

(2) Where a payment is made to the credit of a Treasury special account, the receipt of the Treasury or a person authorised by the Treasury for the sum paid shall, to the extent of the sum paid, be a good discharge to the person making the payment:

Provided that where the liability to make the payment is a liability to make the payment in some currency other than sterling the extent of the discharge shall be ascertained by converting the amount paid into that currency at such rate of exchange as the Treasury may determine.

(3) The amount standing to the credit of any Treasury special account shall from time to time, as the Treasury may direct, be applied in accordance with any agreement which may subsequently be concluded for the regulation of payments between the United Kingdom and the territory in question or, if no such agreement is concluded, for the purpose of paying, in whole or in part and in such order and at such times as the Treasury think fit, debts due from persons resident in the territory in question to persons resident in the United Kingdom or in such other territories as may be specified in an order of the Treasury in that behalf.

3E.—(1) The Treasury or a person acting on their behalf may impose such restrictions on the making of payments, and the doing of any other acts, by bankers in the course of their business as appear to the Treasury to be necessary or expedient for the purpose of securing the due enforcement of Regulations three to three D of these Regulations.

(2) For the purposes of the said Regulations three to three D and of any orders made thereunder—

(*a*) any transaction with a branch in the sterling area of any body corporate resident outside the sterling area shall be treated in all respects as if the branch were a separate body corporate resident where the business of the branch is carried on; and

(*b*) the making of any book entry or other statement recording a debit against any such branch in favour of the head office of the body corporate or any branch thereof outside the sterling area shall be treated as the acknowledgment of a debt whereby a right is created in favour of a person resident outside the sterling area to receive a payment in the place where the business of the first-mentioned branch is carried on."

2. In Regulation five B of the said Regulations, in sub-paragraph (*a*) of paragraph (1) after the words "as may be prescribed" there shall be inserted the words "by order of the Treasury".

3. In paragraph (2) of Regulation nine of the said Regulations, for the words "in the case of a seizure under paragraph (3)" there shall be substituted the words "in the case of seizure under paragraph (2) or paragraph (3)."

4. In Regulatioh ten of the said Regulations, at the end of the definition of "owner" the word "and" shall be omitted, and for the definition of "security" there shall be substituted the following:—

"'security', except in so far as is otherwise expressly provided—

(*a*) includes shares, stock bonds, notes, debentures, debenture stock and Treasury bills,

(*b*) does not include a bill of exchange, a promissory note or a deposit receipt; and

'sterling area' means the United Kingdom, the Isle of Man, and such other territories as may be declared by order of the Treasury to be included in the sterling area."

5.—(1) This Order shall come into force on the eighteenth day of July, 1940:

Provided that the Treasury may at any time after the making of this Order make any orders which they could have made if this Order had come into force at

the date of the making thereof, so however that the orders made by the Treasury shall not come into force before the said eighteenth day of July; and any orders of the Treasury made or expressed to come into force on or after the said eighteenth day of July shall be construed by reference to the Defence (Finance) Regulations, 1939, as amended by this Order.

(2) The amendments effected by this Order shall not affect any proceedings, whether instituted before or after the making of this Order, in respect of any contravention of any provisions of the said Regulations occuring before the said eighteenth day of July.

(3) Any authority given by a Secretary of State to any person before the said eighteenth day of July to act under paragraphs (3) and (5) of Regulation three of the said Regulations shall, as respect anything done after the coming into force of this Order, have effect as an authority to act under paragraph (2), (3) and (5) of Regulation three of the said Regulations as amended by this Order.

Order in Council substituting new Regulations 3 to 3e for Regulations 3 to 3c, and amending Regulations 5b, 9 and 10, of the Defence (Finance) Regulations (Isle of Man), 1939.

No. 1255, 17th July, 1940.

1. The following Regulations shall be substituted for Regulations three to three C of the Defence (Finance) Regulations (Isle of Man), 1939:—

3.—(1) Subject to any exemptions which may be granted by order of the Treasury, no person shall, except with permission granted by or on behalf of the Treasury, take or send out of the Isle of Man any banknotes, postal orders, gold, securities or foreign currency:

Provided that nothiug in this paragraph shall restrict the doing of anything within the scope of his authority by a person authorised by or on behalf of the Treasury to deal in foreign exchange.

(2) Any person who on any occasion is about to leave the Isle of Man (which person is hereafter in this Regulation referred to as "the traveller") shall, if requested so to do by the appropriate officer—

(*a*) declare whether or not he has with him any banknotes, postal orders, gold, securities or foreign currency;

(*b*) produce any banknotes, postal orders, gold, seccurities or foreign currency which he has with him,

and the appropriate officer and any person acting under his directions may

search the traveller, and examine or search any article which the traveller has with him, for the purpose of ascertaining whether he has with him any banknotes, postal orders, gold, securities or foreign currency, and may seize any banknotes, postal orders, gold, securities or foreign currency produced or found upon such examination or search, unless either—

(i) the appropriate officer is satisfied that the traveller is, in respect of all banknotes, postal orders, gold, securities or foreign currency which he has with him on the said occassion, exempted from the restriction imposed by paragraph (1) of this Regulation; or

(ii) the traveller produces to the appropriate officer a single certificate granted by or on behalf of the Treasury, showing, with respect to all banknotes, postal orders, gold, securities or foreign currency which he has with him on the said occasion, that the taking out by him of the banknotes, postal orders, gold, securities or foreign currency does not involve a contravention of the said paragraph (1):

Provided that no female shall be searched in pursuance of this paragraph except by a female.

(3) Where any persons are about to leave the Isle of Man in any ship or aircraft, the appropriate officer and any person acting under his directions may go on board the ship or aircraft for the purpose of exercising the powers conferred on them by the last preceding paragraph, and may also examine or search the ship or aircraft for the purpose of ascertaining whether there are on board the ship or aircraft any banknotes, postal orders, gold, securities or foreign currency and may seize any banknotes, postal orders, gold, securities or foreign currency found upon such examination or search, being banknotes, postal orders, gold, securities or foreign currency which the appropriate officer has reasonable ground for suspecting to be in the ship or aircraft for the purpose of being taken or sent out of the Isle of Man in contravention of paragraph (1) of this Regulation.

(4) Nothing in the preceding provisions of this Regulation shall apply in relation to the taking or sending of anything from the Isle of Man to the United Kingdom, or in relation to any person travelling between the Isle of Man and the United Kingdom.

(5) As respects any goods consigned from the Isle of Man to a destination which is neither in the United Kingdom nor in the Isle of Man, the appropriate officer and any person acting under his directions may examine or search the goods for the purpose of ascertaining whether there are being sent therewith

any banknotes, postal orders, gold, securities or foreign currency and may seize any banknotes, postal orders, gold, securities or foreign currency found upon such examination or search unless there appears to the appropriate officer to have been granted by or on behalf of the Treasury a certificate which shows that the sending aforesaid of banknotes, postal orders, gold, securities or foreign currency does not involve a contravention of paragraph (1) of this Regulation.

The appropriate officer and any person acting under his directions may go on board any ship or aircraft for the purpose of exercising the powers conferred on them by this paragraph in relation to any goods on board the ship or aircraft.

(6) For the purposes of this Regulation, any bill of exchange or promissory note payable otherwise than in sterling shall be deemed to be foreign currency:

Provided that this paragraph shall not apply to bills or notes payable in any currency issued by the Government of, or under the law of, any part of the sterling area, not being bills or notes which are legal tender in any part of that area.

(7) In this Regulation—

(*a*) the expression "security" includes a deposit receipt in respect of the deposit of securities, a unit or sub-unit of a unit trust, a coupon representing dividends or interest and a life or endowment assurance policy, and any document of title relating to any security;

(*b*) the expression "appropriate officer" means any officer of Customs and Excise, any immigration officer, any constable or any person authorised by a Secretary of State or the Governor to act under paragraphs (2), (3) and (4) of this Regulation.

3A.—(1) Subject to any exemptions which may be granted by order of the Treasury, no person shall, either on his own behalf or on behalf of any other person, agree to transfer or acquire, or transfer, or acquire otherwise than by operation of law or by inheritance, any securities or any interest in securities, unless the Treasury or persons authorised by or on behalf of the Treasury are satisfied that no person resident outside the sterling area has, immediately before the transfer, acquisition or agreement, any interest in the securities:

Provided that nothing in this paragraph shall prohibit any agreement, transfer or acquisition which is effected with permission granted by the Treasury or by a person authorised by them or on their behalf.

(2) Subject to any exemptions which may be granted by order of the

Treasury, no person shall, except with permission granted by the Treasury or by a person authorised by them or on their behalf—

(*a*) transfer any security or create or transfer any interest in a security to or in favour of a person resident outside the sterling area;

(*b*) transfer any security from a register in the Isle of Man to a register outside the sterling area, or do any act which is calculated to secure, or forms part of a series of acts which together are calculated to secure, the substitution for any security which is either in or registered in the Isle of Man of any security which is either outside or registered outside the sterling area; or

(*c*) procure that, in any register or book in which securities are registered or inscribed, an address outside the sterling area shall, except by way of substitution for another such address, be registered in respect of any security.

In this paragraph the expression "security" includes a coupon representing dividends or interest.

(3) Subject to any exemptions which may be granted by order of the Treasury, no person who holds any securities as trustee or agent shall, except with permission granted by the Treasury or by a person authorised by them or on their behalf, do any act whereby he recognises or gives effect to the transfer of those securities or the creation or transfer of any interest therein by, to or in favour of a person resident outside the sterling area:

Provided that nothing in this paragraph shall restrict the doing of any act for the doing of which permission has been granted to any person by the Treasury or by a person authorised by them or on their behalf under any other paragraph of this Regulation, or the doing of any act recognising or giving effect to any transaction for which permission has been so granted or which has been entered into before the eleventh day of May, nineteen hundred and forty.

(4) Subject to any exemptions which may be granted by order of the Treasury, no person shall, except with permission granted by the Treasury or by a person authorised by them or on their behalf, enter any transfer of securities in any register or book in which those securities are registered or inscribed unless there has been produced to him such evidence that the transfer does not involve a contravention of this Regulation as may be prescribed by instructions issued by or on behalf of the Treasury.

(5) Nothing in paragraph (1) of this Regulation shall prohibit the making of any agreement to which one at least of the parties is a member of—

(*a*) the Stock Exchange, London, or

(*b*) the Associated Stock Exchanges, or

(*c*) the Provincial Brokers' Stock Exchange, or

(*d*) the Mincing Lane Tea and Rubber Share Brokers' Association Limited, or

(*e*) the Stock Exchange, Oldham, or

(*f*) the Association of Stock and Share Dealers,

and nothing in paragraph (2) of this Regulation shall prohibit the execution, by or on behalf of the transferor, of any instrument of transfer of securities in pursuance of any such agreement; but this paragraph shall not authorise the doing of any other act which would. apart from this paragraph, constitute a breach of this Regulation.

(6) In this Regulation—

the expression "acquire by inheritance" means acquire in the capacity of a beneficiary under a will or intestacy, or in the capacity of a person representative of a deceased person; and

the expression "security" includes a deposit receipt in respect of the deposit of securities and a life or endowment assurance policy, but does not include a Treasury bill or any bill issued by a local authority in the United Kingdom or the Isle of Man;

and for the purposes of this Regulation an interest in securities does not include an interest in expectancy on the determination of a life, or any interest merely as a trustee.

3B.—(1) Subject to any exemptions which may be granted by order of the Treasury, no person shall, except with permission granted by the Treasury or by a person authorised by them or on their behalf, issue any bearer bond, share warrant to bearer, or other document of title by the delivery of which the title to securities or to any interest in securities is transferable:

Provided that nothing in this Regulation shall restrict the issue of any such document of title for the purpose of replacing any such document which has been lost of destroyed.

(2) In relation to the issue of documents of title relating to securities the issue of which is authorised by any Act of Parliament passed before the twenty-fourth day of August, nineteen hundred and thirty-nine, this Regulation shall bind the Crown, and the Treasury shall not, by virtue of any contract made by them or on their behalf in relation to any such securities, be required to

grant any permission or exemption under the last foregoing paragraph for the issue of any document of title relating to any such securities.

(3) Coupons representing dividends or interest shall be deemed for the purposes of this Regulation to be documents of title by the delivery of which a title to an interest in securities is transferable.

(4) In this Regulation the expression "security" does not include a Treasury bill or any bill issued by a local authority in the United Kingdom or the Isle of Man.

3C.—(1) Subject to any exemptions which may be granted by order of the Treasury, no person shall, except with permission granted by or on behalf of the Treasury—

(*a*) draw, issue or negotiate any bill of exchange or promissory note, or acknowledge any debt, so that a right (whether actual or contingent) to receive a payment in the United Kingdom or in the Isle of Man is created or transferred in favour of a person who is resident outside the sterling area; or

(*b*) make any payment to any such person.

(2) Subject to any exemptions which may be granted by order of the Treasury, no person shall, except with permission granted by or on behalf of the Treasury—

(*a*) draw, issue or negotiate any bill of exchange or promissory note, transfer any security or acknowledge any debt, so that a right (whether actual or contingent) to receive a payment in the United Kingdom or in the Isle of Man is created or transferred in favour of a person not resident outside the sterling area as consideration for, or in association with—

(i) the receipt by any person of a payment, or the acquisition by any person of property, outside the sterling area, or

(ii) the creation or transfer, in favour of any person of a right (whether actual or contingent) to receive a payment, or acquire property, outside the sterling area; or

(*b*) make any payment to a person not resident outside the sterling area as such consideration or in such association as aforesaid.

In this paragraph the expression "transfer" includes, in relation to any security, transfer by way of loan or security, and the expression "security" includes a deposit receipt in respect of the deposit of securities, a unit or sub-unit of a unit trust, a coupon representing dividends or interest and a life or endowment assurance policy.

(3) Where an individual has at any time since the third day of September, nineteen hundred and thirty-nine, resided in the United Kingdom or the Isle of Man—

(*a*) until the Treasury otherwise direct, he shall be treated, for the purposes of this Regulation and of any order providing for exemptions from any of the

provisions thereof, as having been, and as still being, resident in the United Kingdom or the Isle of Man and not resident outside the sterling area; and

(*b*) if any such direction is given, the Treasury may, by the same or a subsequent direction, declare the territory in which, for those purposes, he is to be treated as being resident,

and any direction given under this paragraph may be either general or special and may be revoked or varied by a subsequent direction thereunder.

(4) Nothing in this Regulation shall restrict the doing by a person authorised by or on behalf of the Treasury of anything within the scope of his authority.

3D.—(1) Where, in the case of any territory with respect to which no agreement is in force for the regulation of payments between the United Kingdom and that territory, it appears expedient to the Treasury to exercise the powers conferred on them by this Regulation, the Treasury may provide for the setting up of an account (hereafter in this Regulation referred to as a "Treasury special account") with a view to the payment into that account of sums due to persons resident in the territory in question.

(2) Where a payment is made to the credit of a Treasury special account, the receipt of the Treasury or a person authorised by the Treasury for the sum paid shall, to the extent of the sum paid, be a good discharge to the person making the payment:

Provided that where the liability to make the payment is a liability to make the payment in some currency other than sterling the extent of the discharge shall be ascertained by converting the amount paid into that currency at such rate of exchange as the Treasury may determine.

(3) The amount standing to the credit of any Treasury special account shall from time to time, as the Treasury may direct, be applied in accordance with any agreement which may subsequently be concluded for the regulation of payments between the United Kingdom and the territory in question or, if no such agreement is concluded, for the purpose of paying, in whole or in part and in such order and at such times as the Treasury think fit, debts due from persons resident in the territory in question to persons resident in the United Kingdom or in such other territories as may be specified in an order of the Treasury in that behalf.

3E.—(1) The Treasury or a person acting on their behalf may impose such restrictions on the making of payments, and the doing of any other acts, by bankers in the course of their business as appear to the Treasury to be necessary or expedient for the purpose of securing the due enforcement of Regulations three to three D of these Regulations.

(2) For the purposes of the said Regulations three to three D and of any orders made thereunder—

(*a*) any transaction with a branch in the sterling area of any body corporate resident outside the sterling area shall be treated in all respects as if the branch were a separate body corporate resident where the business of the branch is carried on; and

(*b*) the making of any book entry or other statement recording a debit against any such branch in favour of the head office of the body corporate or any branch thereof outside the sterling area shall be treated as the acknowledgment of a debt whereby a right is created in favour of a person resident outside the sterling area to receive a payment in the place where the business of the first-mentioned branch is carried on."

2. In Regulation five B of the said Regulations, in subparagraph (*a*) of paragraph (1) after the words "as may be prescribed" there shall be inserted the words "by order of the Treasury".

3. In paragraph (2) of Regulation nine of the said Regulations, for the words "in the case of a seizure under paragraph (3)" there shall be substituted the words "in the case of a seizure under paragraph (2) or paragraph (3)."

4. In Regulation ten of the said Regulations, at the end of the definition of "owner" the word "and" shall be omitted, and for the definition of "security" there shall be substituted the following:—

"'security', except in so far as is otherwise expressly provided—

(*a*) includes shares, stock, bonds, notes, debentures, debenture stock and Treasury Bills,

(*b*) does not include a bill of exchange, a promissory note or a deposit receipt; and

'sterling area' means the United Kingdom, the Isle of Man, and such other territories as may be declared by order of the Treasury to be included in the sterling area."

5.—(1) This Order shall come into force on the eighteenth day of July, 1940: Provided that the Treasury may at any time after the making of this Order make any orders which they could have made if this Order had come into force at the date of the making thereof, so however that the orders made by the Treasury shall not come into force before the said eighteenth day of July; and any orders of the Treasury made or expressed to come into force on or after the said eighteenth day of July shall be construed by reference to the Defence (Finance) Regulations (Isle of Man), 1939, as amended by this Order.

(2) The amendments effected by this Order shall not affect any proceedings, whether instituted before or after the making of this Order, in respect of any contravention of any provisions of the said Regulations occurring before the said eighteenth day of July.

(3) Any authority given by a Secretary of State or the Governor to any person before the said eighteenth day of July to act under paragraphs (3) and (5) of Regulation three of the said Regulations shall, as respect anything done after the coming into force of this Order, have effect as an authority to any under paragraphs (2), (3) and (5) of Regulation three of the said Regulations as amended by this Order.

Defence (Finance) (Definition of Sterling Area) Order.

No. 1256, 17th July, 1940.

1. The territories which, in addition to the United Kingdom and the Isle of Man, are included in the sterling area are any of the following territories, excluding Canada, Newfoundland and Hong Kong, that is to say—

(*a*) any Dominion,

(*b*) any other part of His Majesty's dominions outside the British Islands,

(*c*) any territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom or in any Dominion,

(*d*) any British protectorate or protected state, and

(*e*) Egypt, the Anglo-Egyptian Sudan and Iraq.

2. This Order may be cited as the Defence (Finance) (Definition of Sterling Area) Order, 1940.

3. This Order shall come into force on the eighteenth day of July, 1940.

Regulation of Payments (General Exemptions) Order.

No. 1257, 17th July, 1940.

1. This Order may be cited as the Regulation of Payments (General Exemptions) Order, 1940.

2. There are hereby exempted from the operation of paragraph (1) of the said Regulation three C—

(*a*) any payment, transfer or other transaction made or carried out by a person resident outside the sterling area, being a payment or transfer to, or other transaction in favour of, a person resident neither in the sterling area nor in any of the territories specified in the Schedule to this Order; and