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AN BILLE AIRGEADAIS, 1962. FINANCE BILL, 1962.

EXPLANATORY MEMORANDUM.

PART I.

INCOME TAX.

Section 1 imposes Income Tax and Sur-tax for the current year and continues previous enactments.

Section 2. Under existing law, interest on debentures, debenture stock or certificates of charge issued by The Agricultural Credit Corporation, Ltd., may be paid without deduction of Income Tax but is assessable in the hands of the recipients. The present section provides for similar treatment in the case of other securities issued by the Corporation.

PART II.

CUSTOMS AND EXCISE.

Section 3 provides for increases in the rates of customs and excise duties and drawbacks on beer. The main rate of duty is increased by £1 11s. 0d. per standard barrel, from £10 5s. 6d. to £11 16s. 6d.

Section 4 provides for increases in the rates of customs and excise duties on spirits. The main rate of duty is increased by 15s. 2d. per proof gallon, from £8 16s. 0d. to £9 11s. 2d. The section also simplifies the structure of the customs duties on spirits by eliminating minor differences between rates.

Section 5 provides for increases in the rates of customs and excise duties on unmanufactured tobacco and in the customs duties on manufactured tobacco. The main rate of duty on unmanufactured tobacco is increased by 3s. 6d. per lb., from £2 9s. 7½d. to £2 13s. 1½d. There is no effective increase in the duty on hard-pressed tobacco since the increase in the rate of duty is counter-balanced by an increase in the rate of rebate allowed on that type of tobacco. The section also terminates the leaf rebate allowed to tobacco firms which were under Irish ownership and control and introduces a new scheme under which every tobacco manufacturer will be entitled to a rebate of 1s. 6d. per lb. on the first 50,000 lbs. of leaf received by him in a year.

Section 6 terminates entertainments duty with effect from the 1st October, 1962.

Section 7 provides for the waiving of customs duty (other than the duties on tobacco, spirits and wine) on any consignment or parcel where the amount chargeable would not exceed 2s. 6d.

Section 8 terminates the minimum charge of customs duty payable on any individual class of goods contained in one consignment or parcel.

Section 9 provides for the reduction from £8 to £2 10s. 0d. of the annual tax on tractors used by farmers to transport their own or neighbouring farmers' produce and farm requisites. The existing conditions relating to the use of the tractors will continue to apply. The reduction will be effective as from 1st July, 1962, and provision is made for an appropriate refund of tax to farmers who have taxed their tractors for the full year at the £8 rate.

Section 10 confirms an Order made under the Imposition of Duties Act, 1957. The Order reduced the rate of customs duty on used omnibuses from 150% to 75% ad valorem.

PART III.

INITIAL ALLOWANCES, EXEMPTION FROM TAX, PAYMENTS TO ASSOCIATED COMPANIES, INTEREST ON UNPAID TAX: INCOME TAX, SUR-TAX AND CORPORATION PROFITS TAX.

Section 11 gives effect to a recommendation by the Committee on Industrial Organisation that the present rates of initial allowance in respect of capital expenditure on industrial equipment and buildings should be doubled. The section provides, in subsection (1), that the rate of initial allowance in the case of machinery or plant is to be increased from one-fifth to two-fifths. Subsection (2) increases from one-tenth to one-fifth the rate of initial allowance in the case of industrial buildings or structures (other than hotels or holiday camps). The increased rates will apply to capital expenditure incurred within the period from the 14th December, 1961, to the 31st March, 1965.

Section 12 provides in subsection (1) that the interest on any securities to be issued by the Minister for Finance for the purpose of being used in payment of Income Tax, Sur-tax or Corporation Profits Tax shall be exempt from those taxes. The availability of such securities will render superfluous the existing arrangements for the allowance of discount where Income Tax charged under Schedule D is paid in advance. Subsection (2) therefore provides that section 159 of the Income Tax Act, 1918, which governs the existing arrangements will cease to have effect as respects tax for 1963-64 or any subsequent year.

Section 13 follows from a suggestion by the Committee on Industrial Organisation to the effect that, where a number of industrial concerns set up a new company to carry on a joint enterprise, the promoting companies should be able to obtain tax relief for their respective shares of any trading losses sustained by the new company in the first five years of its existence.

The section contemplates a situation in which two or more trading companies (referred to as "principal companies") hold not less than 95 per cent. of the ordinary share capital of another trading company (referred to as an "auxiliary company") which was incorporated within the period from the 14th December, 1961, to the 31st March, 1965.

The broad effect of the section is that, where an auxiliary company has a deficiency in its trade for an accounting period beginning not later than five years after the date on which it first commenced to trade, payments made to the company by its principal companies to make good that deficiency are, for tax purposes, to be treated as trading expenses of the paying companies and as trading receipts of the auxiliary company. The section applies to deficiency payments made up to three years after the end of the accounting period to which they relate. In the computation of the amount of a deficiency, account is to be taken of, *inter alia*, allowances for tax purposes in respect of capital expenditure on plant, buildings, etc.

Section 14 provides that tax charged by any assessment to Income Tax, Sur-tax or Corporation Profits Tax which is not paid within three months of the date on which it becomes due and payable is to

carry interest at the rate of one-half per cent. for each month or part of a month in the period from the due date to the date of payment. Interest will commence to run from the 1st January, 1963, in the case of tax which becomes due and payable before that date.

PART IV.

MISCELLANEOUS.

Section 15 relates to the Capital Services Redemption Account. The section is in the same form as in previous years and its purpose is—

- (a) to adjust the provisional annuity for 30 years fixed last year by reference to the estimated expenditure on voted capital services in 1961-62; and
- (b) to fix provisionally a new annuity for 30 years in respect of the estimated expenditure in 1962-63 on voted capital services.

Section 16 terminates, with effect from the 1st April, 1962, the procedure, which was introduced by legislation dating back to the last century, for the payment of certain annual Exchequer grants through the Local Taxation Account, this procedure being replaced by simpler administrative arrangements. The annual grants in question have consisted of (a) grants paid from the Account and appropriated in aid of the Votes for Agriculture, Fisheries, Secondary Education and Health, and (b) grants, principally the Agricultural Grants, paid to local authorities. The termination of the first-mentioned grants has been offset by increases in the net Estimates for the Departmental services concerned.

Instead of being payable from the Local Taxation Account, the Agricultural Grants will in future be payable to the local authorities from the Guarantee Fund into which they will continue to be paid in the first instance. The Guarantee Fund is operated under the Land Purchase Acts for the purpose of meeting deficiencies in land annuity collections and the Agricultural Grants will continue to be subject to any claims on them which may arise in this connection before being paid to the local authorities. Such claims have been insignificant in recent years.

The remaining grant hitherto payable to local authorities from the Local Taxation Account, namely, the Estate Duty Grant which related mainly to road works, will be replaced by increased grants from the Road Fund. The new arrangements will rationalise and simplify accounting procedures considerably.

Section 17 secures the continuance for a further three years of the Corporation Profits Tax exemption in favour of public utility companies, such as railways, of building societies and of The Agricultural Credit Corporation, Ltd.

Section 18 increases from four to eight months the operative period for the stamp duty concession granted in section 32 of the Finance Act, 1961, in respect of dealings in Irish stocks by companies recognised by the Minister for Finance as so dealing for the purpose of facilitating activity in the market for Irish stocks.

Section 19 amends the Imposition of Duties Act, 1957, to enable the Government by order to prescribe a form of customs tariff and to provide for the classification of goods in accordance with that tariff. Provision is also made for the amendment or revocation of any such order. The purpose of these provisions is to enable a tariff based on the Brussels Nomenclature to be introduced in due course. The section also enables the Government by order to apply qualifications, limitations, allowances, exemptions or preferential rates in relation to customs duties, excise duties or stamp duties and to apply drawbacks in relation to customs duties or excise duties.

Section 20 deals with repeals. The repeal of section 5 (1) (a) (ii) of the Purchase of Land (Ireland) Act, 1891, is consequential on the termination of the Local Taxation Account for which provision is made at section 17 of the Bill. The effect of the repeal of section 21 (7) (c) of the Finance Act, 1935, is to terminate the prohibition on the sale of both duty-paid and rebated hydrocarbon (heavy) oil at the same premises.

Sections 21 and 22 are self-explanatory.

An Roinn Airgeadais,

Bealtaine, 1962.