

Postponement of payment of income tax to be permitted in certain cases. F(MP)A68 s23(1) to (3) and (5) 646.—(1) In this section, “basis period”, in relation to any year of assessment, means the period on the profits or gains of which income tax for that year is finally computed under Case I of Schedule D in respect of the trade or, where by virtue of the Income Tax Acts the profits or gains of any other period are taken to be the profits or gains of that period, that other period.

(2) Where—

(a) a person (in this section referred to as “the vendor”) carrying on a trade of dealing in or developing land (in this section referred to as “the trade”) disposes in the course of the trade of the full interest acquired by the person in any land,

(b) the person to whom the disposition is made (in this section referred to as “the purchaser”) is not connected with the vendor,

(c) the terms subject to which the disposition is made provide for the grant of a lease of the land by the purchaser to the vendor,

(d) a sum representing the value of the vendor's right to be granted a lease is to be taken into account as a consideration for the disposal in computing the profits or gains of the trade, and

(e) within 6 months after the time of the disposition, a lease of the land in accordance with those terms is granted by the purchaser to the vendor,

subsections (3) and (4) shall apply in relation to income tax for a year of assessment in the basis period for which the disposition is made.

(3) Where, at the time when any amount of income tax charged by an assessment in respect of the profits or gains of the trade would but for this subsection become due and payable, the vendor—

(a) retains the leasehold interest acquired by the vendor from the purchaser, and

(b) has not disposed, as regards the whole or any part of the land, of an interest derived from that leasehold interest,

then, a part of that amount of income tax equal to 90 per cent of so much of such tax as would not have been chargeable if no sum had to be taken into account as mentioned in subsection (2)(d) shall be payable in 9 equal instalments at yearly intervals the first of which is payable on the 1st day of January in the year following that in which but for this subsection that amount of income tax would have been payable.

(4) Where, in a case in which the postponement of payment of any amount of income tax has been authorised by subsection (3), the vendor—

(a) ceases to retain the leasehold interest acquired by the vendor from the purchaser,

(b) disposes, as regards the whole or any part of the land, of an interest derived from that leasehold interest,

(c) being an individual, dies, or

(d) being a company, commences to be wound up,

then, that amount of income tax or, as the case may be, so much of that amount of income tax as has not already become due and payable shall become due and payable forthwith.