

Charge on assignment of lease granted at undervalue. ITA67 s84; FA69 s33(1) and Sch4 99.—(1) Where the terms subject to which a lease of a duration not exceeding 50 years was granted are such that the lessor, having regard to values prevailing at the time the lease was granted, and on the assumption that the negotiations for the lease were at arm's length, could have required the payment of an additional sum (in this section referred to as “the amount forgone”) by means of a premium or an additional premium for the grant of the lease, then, on any assignment of the lease for a consideration—

(a) where the lease has not previously been assigned, exceeding the premium (if any) for which it was granted, or

(b) where the lease has been previously assigned, exceeding the consideration for which it was last assigned,

the amount of the excess, in so far as it is not greater than the amount forgone reduced by the amount of any such excess arising on a previous assignment of the lease, shall, in the same proportion as the amount forgone would under section 98 (1) have been treated as rent if it had been a premium under a lease, be treated as profits or gains of the assignor chargeable to the tax under Case IV of Schedule D.

(2) In computing the profits or gains of a trade of dealing in land, any trading receipts within this section shall be treated as reduced by the amount on which tax is chargeable by virtue of this section.