



SUPPLEMENT No. 2

TO

THE CYPRUS GAZETTE No. 3233 OF 14TH MARCH, 1946.

LEGISLATION.

THE STATUTE LAWS OF CYPRUS

No. 7 OF 1946.

A LAW TO AMEND THE INCOME TAX LAWS, 1941 TO
(No. 2) 1944.

C. C. WOOLLEY,]
Governor.

[12th March, 1946.

BE it enacted by His Excellency the Governor and
Commander-in-Chief of the Colony of Cyprus as
follows :—

1. This Law may be cited as the Income Tax (Amendment) Law, 1946, and shall be read as one with the Income Tax Laws, 1941 to (No. 2) 1944, (hereinafter referred to as "the principal Law"), and the principal Law and this Law may together be cited as the Income Tax Laws, 1941 to 1946.

Short title.
6 of 1941
1 of 1942
27 of 1942
22 of 1943
7 of 1944
43 of 1944.

Amendment
of section
10 (1) of the
principal
Law.

2. Sub-section (1) of section 10 of the principal Law is hereby amended as follows:—

(a) by the insertion at the end of paragraph (b) thereof of the following proviso:—

“ Provided that this paragraph shall not have effect in the case of any plant or machinery replaced on or after the first day of January, 1946 ; ”

(b) by the insertion immediately after paragraph (c) thereof of the following paragraphs:—

“ (ca) any expenditure on scientific research incurred by a person engaged in any trade, business, profession or vocation and proved to the satisfaction of the Commissioner to have been incurred for the use and benefit of the trade, business, profession or vocation :

Provided that any such expenditure of a capital nature, unless it is an expenditure in respect of which a deduction is allowable under section 11 of this Law, shall be spread equally over the year in which it has been incurred and the five succeeding years :

Provided further that no deduction shall be allowed under the provisions of this paragraph in the case of any such expenditure on plant or machinery or buildings, including employees' dwellings, in respect of which any deduction is allowable under section 11 of this Law ;

(cb) any expenditure on patents or patent rights incurred by a person engaged in a trade, business, profession or vocation and proved to the satisfaction of the Commissioner to have been incurred for the use and benefit of the trade, business, profession or vocation :

Provided that any such expenditure of a capital nature shall be spread over the life of the patent or patent rights in a reasonable manner to the satisfaction of the Commissioner :

Provided further that any sums receivable from any sales of such patents or patent rights or any part thereof and all royalties or other income receivable in respect thereof shall be included as chargeable income for the year when receivable.”

3. Section 11 of the principal Law is hereby repealed and the following section substituted therefor:—

Repeal of section 11 of the principal Law and substitution of new section.

“Deductions and additions on account of property used in trade, etc.

11.—(1) In this section—

‘property’ means plant and machinery and buildings, including employees’ dwellings, owned by a person engaged in a trade, business, profession or vocation and used and employed by such person in such trade, business, profession or vocation or in scientific research proved to the satisfaction of the Commissioner to be for the benefit of such trade, business, profession or vocation.

(2) In ascertaining the chargeable income of any person engaged in a trade, business, profession or vocation, there shall be allowed—

(a) subject to the provisions of this section, a deduction of a reasonable amount for the exhaustion and wear and tear of property arising out of the use and employment of such property in the trade, business, profession or vocation during the year immediately preceding the year of assessment;

(b) in the case of mines, a deduction for actual expenditure on shaft sinking and cognate operations which has been capitalized:

Provided that—

(i) the deduction shall be computed for each separate mine;

(ii) the Commissioner is satisfied that the total amount of the deduction for each mine is spread over the whole period of the life of the mine in a reasonable manner having regard to variations in productivity:

Provided also that the provisions of this paragraph shall apply only as from the year of assessment 1943;

(c) in respect of property acquired on or after the first day of January, 1946—

(i) where such property consists of plant and machinery first used and employed in the year immediately preceding the year of assessment, an initial deduction of one-fifth of the capital expenditure thereon;

(ii) where such property consists of buildings, including employees’ dwellings, first used and employed in the year

immediately preceding the year of assessment, an initial deduction of one-tenth of the capital expenditure thereon ;

(3) Where, under the provisions of this section, any deduction has been allowed in any year of assessment in ascertaining the chargeable income of a person engaged in a trade, business, profession or vocation and any of the following events occurs in the year immediately preceding the year of assessment in the case of any property in respect of which any deduction has been allowed as aforesaid, that is to say, either the property or any part thereof—

(a) is sold whether still in use or not ; or

(b) whether still in use or not ceases to belong to the person carrying on the trade, business, profession or vocation by reason of the coming to an end of a concession, right or privilege granted by the Government of, or other authority in, any territory outside the Colony ;

(c) is destroyed ; or

(d) is put out of use as being worn out or obsolete or otherwise useless or no longer required,

and the event in question occurs on or after the first day of January, 1946, and before the trade, business, profession or vocation is permanently discontinued, the person shall, in the year of assessment, render to the Commissioner, at the same time as he renders his return of income under section 29 of this Law, a statement, (hereinafter referred to as a 'balancing statement'), in respect of the property in question showing the following items, that is to say:—

(i) the amount of the capital expenditure on the provision thereof ; and

(ii) the total depreciation which has occurred by reason of exhaustion or wear and tear since the date of purchase of such property including the aggregate amount of all deductions previously allowed under the provisions of this section ; and

(iii) the amount of all sale, insurance, salvage or compensation moneys in respect thereof ;

(4) in ascertaining the chargeable income of a person who is required under sub-section (3) of this section to render a balancing statement

to the Commissioner, a deduction (hereinafter referred to as a 'balancing deduction') shall be allowed or, as the case may be, an addition (hereinafter referred to as a 'balancing addition') shall be made and such balancing deduction or balancing addition shall be calculated by reference to the balancing statement or statements rendered by the person in respect of the year immediately preceding the year of assessment, as follows :—

(a) the amount of a balancing deduction shall be the amount by which the amount of item (i) of the balancing statement exceeds the sum of the amounts of item (ii) and item (iii) of that statement; or

(b) the amount of the balancing addition shall be the amount by which the sum of the amounts of item (ii) and item (iii) of the balancing statement exceeds the amount of item (i) of that statement :

Provided that in no case shall the balancing addition exceed the aggregate amount of any deductions previously allowed under the provisions of this section and included in item (ii) of the balancing statement.

(5) Where property, in the case of which any of the events mentioned in sub-section (3) of this section has occurred, is replaced by the owner thereof and a balancing addition falls to be made on him by reason thereof, then, if by notice in writing to the Commissioner he so elects, the following provisions shall have effect, that is to say :—

(a) if the amount of the balancing addition which would have been made is greater than the capital expenditure on providing the new property—

(i) the balancing addition shall be an amount equal to the difference; and

(ii) no balancing deduction under sub-section (4) of this section and no deduction under sub-section (2) of this section shall be allowed in respect of such new property or the capital expenditure on the provision thereof; and

(iii) in considering whether any and, if so, what balancing addition falls to be made

in respect of the capital expenditure on providing such new property, the aggregate amount of all deductions, previously allowed in respect of such property under the provisions of this section, shall be deemed to be equal to the full amount of such expenditure ;

(b) if the capital expenditure on providing the new property is equal to, or greater than, the amount of the balancing addition that would have been made—

(i) the balancing addition shall not be made ; and

(ii) the amount of any deductions under the provisions of this section shall be calculated as if the capital expenditure on providing such new property had been reduced by the amount of the balancing addition ; and

iii) in considering whether any and, if so, what balancing deduction or balancing addition falls to be made in respect of the capital expenditure on providing such new property, the aggregate amount of all deductions, previously allowed in respect of such property under the provisions of this section, shall be deemed to have been increased by an amount equal to the amount of the balancing addition that would have been made.

(6)—(a) Where a person has delivered a balancing statement, the Commissioner may—

(i) accept the statement and make a balancing deduction or addition accordingly ; or

(ii) refuse to accept the statement and, to the best of his judgment, determine the amount of the balancing deduction or addition and make a balancing deduction or addition accordingly ;

(b) for the purposes of this section—

(i) the capital expenditure on providing any property shall be the amount which, in the opinion of the Commissioner, such property would have cost if bought in the open market at the time it was provided ;

- (ii) the sale moneys in respect of any property sold shall be the amount which, in the opinion of the Commissioner, such property would have fetched if sold in the open market at the time it was sold."

4. The principal Law is hereby amended by the insertion therein immediately after section 12 of the following section :—

Insertion of new section 12A in the principal Law.

"Valuation of trading stock on discontinuance of trade, etc.

12A.—(1) In computing, for the purposes of this Law, the chargeable income of any person engaged in a trade, business, profession or vocation which has been discontinued in the year immediately preceding the year of assessment, any trading stock belonging to the trade, business, profession or vocation at the discontinuance thereof shall be valued as follows :—

- (a) in the case of any such trading stock—
- (i) which is sold or transferred for valuable consideration to a person who carries on or intends to carry on a trade, business, profession or vocation in the Colony ; and
 - (ii) the cost whereof may be deducted by the purchaser as an expense in computing, for the purposes of this Law, the chargeable income of that trade, business, profession or vocation,
- the value thereof shall be taken to be the amount realized on the sale or the value of the consideration given for the transfer ;
- (b) in the case of any other such trading stock, the value thereof shall be taken to be the amount which it would have realized if it had been sold in the open market at the discontinuance of the trade.

(2) The provisions of this section shall not apply in a case where a trade, business, profession or vocation carried on by a single individual is discontinued by reason of his death.

(3) For the purposes of this section, the expression 'trading stock' in relation to any trade, business, profession or vocation means property of any description, whether movable or immovable, being either—

- (a) property such as is sold in the ordinary course of trade or would be so sold if it were mature or if its manufacture or construction were complete ; or

(b) materials such as are used in the manufacture, preparation or construction of any such property as is referred to in the last foregoing paragraph."

Date of
commence-
ment.

5. This Law shall be deemed to have come into operation on the first day of January, 1946.

12th March, 1946.

R. E. TURNBULL,
Colonial Secretary.