

If we had an anti-avoidance law for tax fiddling compan...

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I cam across [section 32 of the Finance Act 1951 yesterday](#) (as one does, in my line of work).

The key phrase in this is:

Where the Commissioners are of the opinion that the main purpose or one of the main purposes for which any transaction or transactions was or were effected was the avoidance or reduction of liability to the profits tax, they may, if they think fit, direct that such adjustments shall be made as respects liability to the profits tax as they consider appropriate so as to counteract the avoidance or reduction of liability to the profits tax which would otherwise be effected by the transaction or transactions.

Any way that this section is read it is a general anti-avoidance principle. For the sake of doubt, I reproduce the section in full, below. The title of the section as a whole is

Transactions designed to avoid liability to the profits tax

Can it be clearer than that?

Now, let me put this in context. This section related to profits tax, which predated corporation tax. In other words, this only applied to companies, hence all the discussion of debentures, change of ownership, and the like. And the provision died with the introduction of corporation tax in 1965.

And yet it was radical. It even had a clearance procedure in section 6 as I read it - something that is now said to be impossible.

So the question is, why did this die in law, when it clearly served a purpose and was not (I gather) seriously litigated?

And if that's the case - why did we end up with the near useless General Anti-Abuse Rule (and I say that acknowledging I helped write it, as part of a committee dedicated to producing legislation that would not deliver).

Answers, anyone?

Thanks in the meantime to Paul Donert for this.