SCHEDULES

SCHEDULE 2

ALTERNATIVE FINANCE ARRANGEMENTS

PART 2

NEW CHAPTER 4 OF PART 4 OF TCGA 1992

31 After section 151J insert—

"**151K Diminishing shared ownership arrangements**

(1) This section applies to arrangements if under them—

(a) a financial institution ("the first owner") acquires a beneficial interest in an asset,

(b) another person ("the eventual owner") also acquires a beneficial interest in it,

(c) the eventual owner is to make payments to the first owner amounting in aggregate to the consideration paid for the acquisition of the first owner's beneficial interest (but subject to any adjustment required for such a reduction as is mentioned in subsection (5)),

(d) the eventual owner is to acquire the first owner's beneficial interest (whether or not in stages) as a result of those payments,

(e) the eventual owner is to make other payments to the first owner (whether under a lease forming part of the arrangements or otherwise),

(f) the eventual owner has the exclusive right to occupy or otherwise to use the asset, and

(g) the eventual owner is exclusively entitled to any income, profit or gain arising from or attributable to the asset (including, in particular, an increase in its value).

(2) For the purposes of subsection (1)(a) it does not matter if—

(a) the first owner acquires its beneficial interest from the eventual owner,

(b) the eventual owner, or another person who is not the first owner, also has a beneficial interest in the asset, or

(c) the first owner also has a legal interest in it.

(3) Subsection (1)(f) does not prevent the eventual owner from granting an interest or right in relation to the asset if the conditions in subsection (4) are met.

(4) The conditions are that—

Changes to legislation: *There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, Paragraph 31. (See end of Document for details)*

(a) the grant is not to—

(i) the first owner,

(ii) a person controlled by the first owner, or

(iii) a person controlled by a person who also controls the first owner, and

(b) the grant is not required by the first owner or arrangements to which the first owner is a party.

(5) Subsection (1)(g) does not prevent the first owner from—

(a) having responsibility for any reduction in the asset's value, or

(b) having a share in a loss arising out of any such reduction.

(6) Section 1124 of CTA 2010 (meaning of "control") applies for the purposes of this section.

(7) This section is subject to section 151O (provision not at arm's length: exclusion of arrangements from section 151J, this section and sections 151L to 151N)."

Changes to legislation:
There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, Paragraph 31.