

FINANCE ACT 2012

EXPLANATORY NOTES

INTRODUCTION

Section 227 Schedule 39: Repeal of Miscellaneous Reliefs Etc

Summary

1. [Section 227](#) introduces Schedule 39. Schedule 39 provides for the repeal of miscellaneous reliefs, following the Office of Tax Simplification review of reliefs

Details of Schedule 39

Part 1: Stamp Duty and Stamp Duty Land Tax

Nationalisation schemes

2. Paragraph 1(1) repeals section 52 of Finance Act (FA) 1946 which provides for exemption from stamp duty for instruments connected with nationalisation schemes.
3. Paragraph 1(2) makes consequential amendments.

Visiting forces and allied headquarters

4. Paragraph 2 repeals section 74 of FA 1960 which provides exemption from stamp duty for transfers of land made in connection with the provision of facilities for visiting forces and allied headquarters.

Shared ownership transactions

5. Paragraph 3(1) repeals section 97 of FA 1980, section 108 of FA 1981 and section 54 of FA 1987. Those provisions provide relief from stamp duty for purchases of residential property under shared ownership schemes.
6. Paragraph 3(2) makes consequential amendments.

Instruments subject to duty of fixed amount

7. Paragraph 4 amends section 87 of FA 1985, removing the power conferred by subsection (2) for HM Treasury to make regulations specifying that certain instruments are exempt from stamp duty of a fixed amount.

Acquisitions

8. Paragraph 5(1) repeals section 76 of FA 1986 and section 113 of, and Schedule 35 to, FA 2002 which provide for a reduced rate of stamp duty for certain company acquisitions and for the withdrawal of the relief in specified circumstances.
9. Paragraph 5(2) makes consequential amendments.

Transfers to registered social landlords

10. Paragraph 6 repeals section 130 of FA 2000 as well as references to that paragraph elsewhere in the Act. That provision provides relief from stamp duty for transfers of land to registered social landlords.

Land in disadvantaged areas

11. Paragraph 7(1) repeals sections 92 to 92B of, and Schedule 30 to, FA 2001. Those provisions provide relief from stamp duty for purchases of residential property in areas designated as disadvantaged.
12. Paragraph 7(2) makes consequential amendments.
13. Paragraph 7(3) provides for any regulations made under section 92 of FA 2001 to continue to have effect for the purposes of section 72DA of the Insolvency Act 1986.
14. Paragraph 8(1) repeals section 57 of, and Schedule 6 to, FA 2003 which provide relief from stamp duty land tax for purchases of residential property in areas designated as disadvantaged.
15. Paragraphs 8(2) and (3) make consequential amendments.

Leases granted by registered social landlords

16. Paragraph 9(1) repeals sections 128, 129 and subsections (3) to (6) and (9) of section 130 of FA 2003. Those provisions provide exemption from stamp duty for certain leases granted by registered social landlords.
17. Paragraph 9(2) makes consequential amendments.

Application and transitional provision

18. Paragraph 10 sets out the commencement provisions that apply to the amendments made by paragraphs 1 to 9.
19. Paragraph 11 provides that, subject to certain conditions, stamp duty disadvantaged areas relief will continue to apply to the completion of contracts entered into on or before 16 March 2005, when the relief for transfers of commercial land was withdrawn.
20. Paragraph 12 provides that, subject to certain exclusions, the relief will continue to apply to the completion or substantial performance of contracts entered into on or before 16 March 2005, when the relief for transfers of commercial land was withdrawn. The exclusions include the variation or the assignment of the contract or the subsale of the property after 16 March 2005.
21. Paragraph 13 provides that claims for relief for transactions with an effective date on or before 5 April 2013 must be made before 6 May 2014.

Part 2: Repeal of harbour reorganisation scheme reliefs

22. Paragraph 14 repeals section 45 of FA 1966 which provides exemption from stamp duty for the transfer of stock or marketable securities to a Harbour Authority in connection with a certified harbour reorganisation scheme.
23. Paragraph 15 repeals section 221 of the Taxation of Chargeable Gains Act 1992 (TCGA). That section provides that chargeable assets transferred from a company to a statutory Harbour Authority under a certified harbour reorganisation scheme are treated for tax purposes as transferred at the value which creates neither a gain nor a loss for the transferor.
24. The effect of the repeal on such a transfer occurring on or after the commencement date is that the assets will be treated as passing at market value.

*These notes refer to the Finance Act 2012 (c.14)
which received Royal Assent on 17 July 2012*

25. **Paragraph 16** repeals sections 991 to 995 of the Corporation Tax Act (CTA) 2010. These sections provide a number of corporation tax reliefs applying where the trade and assets of a company are transferred to a statutory Harbour Authority under a certified harbour reorganisation scheme. The effects of repealing these sections on such a transfer occurring on or after the commencement date are that:
- the trade of the transferor will be treated as discontinued at the date of the transfer for all the purposes of the Corporation Taxes Acts, and the transferee will be treated as starting to carry on the trade at that date;
 - the transferee will not be entitled to any surplus losses of the trade incurred by the transferor;
 - the transferor will be treated as having disposed of any assets used in the trade which are sold or transferred under the scheme, and will be subject to any allowances or charges arising in accordance with the Capital Allowances Act 2001 (CAA);
 - the transferee will not be entitled to corporation tax relief for any allowable capital losses that the transferor would have been entitled to claim if it had continued to carry on the trade.
26. **Paragraph 17** makes a number of consequential changes, removing references to section 221 of TCGA.
27. **Paragraph 18(1)** provides for the amendments made by paragraph 14 to have effect in relation to instruments executed on or after 1 April 2013.
28. **Paragraph 18(2)** provides for the amendments made by paragraphs 15 to 17 to be effective in relation to transfers of trade and assets under certified harbour reorganisation schemes occurring on or after 1 April 2013.

Part 3: Payments relating to reductions in pool betting duty

29. **Paragraph 19(1)** withdraws reliefs from corporation tax and income tax, for capital expenditure funded by grants made for the purpose of improving football ground safety and comfort, and withdraws relief from inheritance tax for trustees responsible for administering those grants, both of which were provided for by section 126 of FA 1990.
30. **Paragraph 19(2)** makes minor consequential amendments to CAA and the Income Tax (Trading and Other Income) Act 2005 (ITTOIA).
31. **Paragraph 19(3)** provides that these changes shall have effect from 1 April 2013 for corporation tax purposes and from 6 April 2013 for income tax and inheritance tax purposes.
32. **Paragraph 20(1)** withdraws relief from inheritance tax for trustees administering funds held for the purpose of supporting sports and the arts provided for by section 121 of FA 1991.
33. **Paragraph 20(2)** provides that this change shall have effect from 6 April 2013.
34. **Paragraph 21(1)** withdraws reliefs from income tax in respect of payments for the purpose of improving football ground safety and comfort or supporting sports and the arts provided for by sections 162 and 748 of ITTOIA.
35. **Paragraph 21(2)** makes a minor consequential amendment to section 683(4) of ITTOIA.
36. **Paragraph 21(3)** states that these repeals shall have effect from 6 April 2013.
37. **Paragraph 22(1)** withdraws relief from corporation tax in respect of payments for the purpose of improving football ground safety and comfort or supporting sports and the arts provided for by sections 138 and 978 of CTA 2009.

38. Paragraph 22(2) makes a minor consequential amendment to section 976(1)(b).
39. Paragraph 22(3) states that these repeals shall have effect from 1 April 2013.

Part 4: Life assurance

Abolition of income tax relief for life assurance premiums under section 266 of ICTA

40. Paragraph 23 restricts individuals' entitlement to life assurance premiums (LAPR) under section 266 of the Income Corporation and Taxes Act 1988 (ICTA) so that relief will only be due for premiums that are due and payable before 6 April 2015 and for premiums payable before this date that are actually paid before 6 July 2015. This restriction also applies to premiums paid by employers in respect of employees for whom entitlement to LAPR was provided through section 266A of ICTA.
41. Paragraph 24 provides that claims for relief under paragraph 6 of Schedule 14 to ICTA may not be made after 5 April 2016. Paragraph 6 of Schedule 14 to ICTA entitles individuals to make claims and applies where they have not received relief in full by paying premiums to insurers or friendly societies 'net' of the relief.
42. Paragraph 25 restricts the time by which insurers and friendly societies must make all outstanding reconciliations and claims for payment from HM Revenue & Customs (HMRC) under the [Income Tax \(Life Assurance Premium Relief\) Regulations 1978 \(S.I. 1978/1159\)](#) ("1978 Regulations"). These must be made by the earliest of:
- 6 months from the end of the first accounting period to end after 5 April 2015; and either
 - 6 years from the end of the accounting period for which the claim relates; or
 - 12 months from the end of the accounting period in which insurance companies or friendly societies have received and retained one or more interim payments of LAPR from HMRC.

For these purposes, 'accounting period' means the period for which the insurance company or friendly society makes up its accounts.

43. Paragraph 25(5) requires HMRC to decide all claims for LAPR made under the 1978 Regulations no later than 5 April 2017.
44. Paragraphs 26 and 27 apply to friendly societies and industrial assurance companies who adopted special schemes to cater for changes to the rate of the relief. The paragraphs ensure that the existing framework for dealing with changes to the rate of relief also applies to the repeal of the relief.
45. Paragraphs 26 and 27, (4)(a) and (b) apply the 'change of rate' framework on the basis that the rate of relief is reduced from 12.5 per cent to nil with effect from 6 April 2015, and ensure that entitlement to the zero rate relief is maintained only for the purpose of giving effect to this framework.
46. Paragraphs 26 and 27, (4)(c) and (d) provide scope for friendly societies and industrial assurance companies to make prospective amendments to the special schemes at any time before the relief is removed, and so that amendments to the special schemes may also apply for premiums that are due and payable before 6 April 2015 but that are actually paid after 6 July 2015.
47. Paragraphs 26 and 27, (5) and (6) allow friendly societies and industrial assurance companies to amend sums assured under certain policies, and make consequential amendments to approved schemes where the prospective amendments have been notified to the Financial Services Authority at least 3 months before the amendments are made.

48. [Paragraph 28](#) provides that legislation providing for LAPR will be repealed from a date to be appointed by the Treasury, under a statutory instrument subject to the negative resolution procedure.
49. [Paragraphs 29 and 30](#) provide that variations or substitutions of qualifying policies (within the meaning of the Income Tax Acts) are ignored for certain tax purposes where the variations or substitutions are made for the sole purpose of dealing with the consequences of the abolition of the relief. The effect of these paragraphs is that such changes will not:
- affect the qualifying policy status of these policies;
 - re-set the period for which a qualifying policy must be held before gains are exempt from income tax; or
 - be treated as exceeding the corporation tax exemption limit for friendly society tax exempt savings plans.

Removal of claw-backs on relief given under section 266 of ICTA

50. [Paragraph 31](#) removes requirements for insurers to ‘claw-back’ amounts of LAPR from proceeds payable by an insurer on a second or subsequent surrender of some or all rights under a policy. These requirements will no longer apply to such events arising on or after 6 April 2015.

Abolition of income tax relief relating to certain payments made for benefit of family members etc

51. [Paragraph 32\(1\)](#) removes entitlement to this relief by omitting section 459 Chapter 6 of Part 8 of the Income Tax Act 2007 (ITA).
52. [Paragraph 32\(2\)](#) amends and removes several other supporting provisions in ITA and ICTA, as a direct consequence of removing the relief.
53. [Paragraph 32\(3\) to \(5\)](#) amend section 609 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) which determines the amount of annuity payments that are treated as pension income, and the person liable to tax on this income. The amendment ensures that section 609 of ITEPA continues to apply to the type of annuity for which relief was available under section 459 of ITA, despite the removal of the relief.
54. [Paragraph 32\(4\)](#) provides for section 609 of ITEPA to continue to apply to annuities for the benefit of dependants where all or part of sums paid to acquire these annuities satisfied the conditions for relief in tax years up to and including 2012-13.
55. [Paragraph 32\(5\)](#) imports the parts of section 459 of ITA that identify the type of annuities to which section 609 of ITEPA applies. These new parts of section 609 of ITEPA will apply to sums paid in the tax year 2013-14 or later years, in order to acquire annuities for the benefit of dependants.
56. [Paragraph 32\(6\)](#) provides that the various amendments described above will have effect for 2013-14 and subsequent years, so the last year for which the relief is available will be 2012-13.

Part 5: Capital allowances

Safety at sports grounds

57. [Paragraph 33](#) repeals sections 30 to 32 of CAA and makes consequential changes.
58. [Paragraph 34](#) makes consequential amendments to sections 23(2) and 27 of CAA.

59. [Paragraph 35](#) provides that the repeal has effect in respect of expenditure incurred on or after 1 April 2013 for corporation tax purposes and on or after 6 April 2013 for income tax purposes.

Flat conversion allowances

60. [Paragraph 36](#) provides that Part 4A of CAA does not apply in respect of expenditure incurred on or after 1 April 2013 for corporation tax purposes and on or after 6 April 2013 for income tax purposes.
61. [Paragraph 37](#) repeals Part 4A of CAA.
62. [Paragraph 38](#) makes a number of consequential amendments to CAA.
63. [Paragraph 39](#) makes consequential amendments to FA 2001, ITTOIA and CTA 2009.
64. [Paragraph 40\(1\)](#) provides that the amendments at paragraphs 37 to 39 have effect on or after 1 April 2013 for corporation tax purposes and on or after 6 April 2013 for income tax purposes. But this is subject to paragraphs 41 and 42.
65. [Paragraph 41](#) determines how a company's entitlement to writing-down allowances (WDAs), for the purposes of section 393J of CAA, should be calculated where its chargeable period spans 1 April 2013.
66. It requires that the WDA be calculated as normal for the chargeable period, and time apportioned between the chargeable period falling before and after 1 April 2013 in accordance with this method:
- AB
- where A is the number of days in the chargeable period falling before 1 April 2013 and B is the number of days in the chargeable period.
67. [Paragraph 42](#) is a saving provision. It provides that paragraphs 37 and 40(1) do not affect the operation of sections 393I and 393M to 393P of CAA, in respect of expenditure incurred before 1 April 2013 for corporation tax purposes and 6 April 2013 for income tax purposes.

Part 6: Mineral leases or agreements

Income tax

68. [Paragraph 43](#) repeals sections 157, 319 and 340 to 343 of ITTOIA. Those sections treat half of the mineral royalties that a person may receive under a mineral royalty agreement or lease as subject to income tax. The paragraph also makes consequential amendments to ITTOIA and the Commissioners for Revenue and Customs Act 2005. These changes have effect for mineral royalties receivable on or after 6 April 2013.

Corporation tax on income

69. [Paragraph 44](#) repeals sections 135, 258 and 273 to 276 of CTA 2009. Those sections treat half of the mineral royalties that a person may receive under a mineral royalty agreement or lease as subject to corporation tax as income. The paragraph also makes a consequential amendment to CTA 2009. These changes have effect for mineral royalties receivable on or after 1 April 2013.

Chargeable gains

70. [Paragraph 45](#) repeals section 201 of TCGA 1992. Section 201 treats half of the mineral royalties that a person receives as a chargeable gain. The paragraph also makes various consequential amendments to TCGA. These changes have effect for mineral royalties which a person is entitled to receive on or after 1 April 2013 for the purposes of

corporation tax on chargeable gains, and on or after 6 April 2013 for the purposes of capital gains tax (CGT).

71. [Paragraph 46](#) amends section 202 of TCGA to limit the loss relief that the section provides in respect of mineral royalties leases or agreements to cases where the lease or agreement is entered into before 1 April 2013, for corporation tax purposes, or 6 April 2013, for CGT purposes.
72. [Paragraph 47](#) makes a consequential amendment to section 203 of TCGA, which supplements sections 201 and 202.

Part 7: Miscellaneous

Deeply discounted securities: incidental expenses

73. [Paragraph 48](#) provides for the rules for the calculation of the profit or loss on disposal of deeply discounted securities (DDS) in Chapter 8 of Part 4 of ITTOIA to be amended.
74. [Paragraph 48\(1\)](#) amends section 455 of ITTOIA to limit the provision for the deduction of incidental expenses incurred in connection with the disposal of DDS which are listed securities and which have been held since 26 March 2003. The deduction is limited to expenses incurred before 6 April 2015.
75. [Paragraph 48\(2\)](#) provides the commencement provision.

Grants for giving up agricultural land

76. [Paragraph 49\(1\)](#) repeals section 249 of TCGA (grants for giving up occupation of agricultural land).
77. [Paragraph 49\(2\)](#) amends the heading which section 249 comes under from “Agricultural Land and Woodlands” to “Woodlands”.
78. [Paragraph 49\(3\)](#) provides that the repeal in subsection (1) has effect in relation to disposals made on or after 6 April 2013.

Reduction for meal vouchers

79. [Paragraph 50\(1\)](#) provides for the repeal of section 89 of ITEPA.
80. [Paragraph 50\(2\)\(a\)](#) and (b) provides for consequential omission of section 87(6) of ITEPA (benefit of non-cash voucher treated as earnings) and paragraph 18 in Schedule 7 to ITEPA (transitionals and savings).
81. [Paragraph 50\(3\)](#) provides that the repeal will take effect from 6 April 2013.

Black beer

82. [Paragraph 51\(2\)\(a\)](#) amends the definition of beer in section 1(3) of the Alcoholic Liquor Duties Act 1979 (ALDA) by removing the exclusion for black beer, making black beer liable to excise duty.
83. [Paragraphs 51\(2\)\(b\) to \(4\)](#) make consequential amendments to ALDA.

Angostura bitters

84. [Paragraph 52\(1\)](#) repeals section 1(7) and section 6 of ALDA. The former deems angostura bitters not to be spirits for certain duty purposes, while the latter provides power for the Commissioners of HM Revenue and Customs to direct that angostura bitters are to be treated on importation, for the purposes of duty, as not being spirits.

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which received Royal Assent on 17 July 2012*

85. [Paragraph 52\(2\)](#) repeals the provision in Schedule 5 to FA 1994. Schedule 5 makes decisions relating to whether or not to give a direction under section 6 of ALDA appealable at Tribunal.

Tax reserve certificates

86. [Paragraph 53\(1\)\(a\)](#) repeals section 750 of ITTOIA. That section provides that no liability to income tax arises in respect of interest from tax reserve certificates issued by the Treasury.
87. [Paragraph 53\(1\)\(b\)](#) repeals section 1283 of CTA 2009. That section provides that no liability to corporation tax arises in respect of interest from tax reserve certificates issued by the Treasury.
88. [Paragraph 53\(2\)](#) makes a consequential amendment to section 369 of ITTOIA.
89. [Paragraph 53\(3\)](#) provides that the repeal made by sub-paragraphs (1)(a) and (2) will have effect in relation to any tax reserve certificates redeemed on or after 6 April 2013. Taxpayers who redeem tax reserve certificates before this date will continue to get relief for income tax.
90. [Paragraph 53\(4\)](#) provides that the repeal made in sub-paragraph (1)(b) will have effect in relation to tax reserve certificates redeemed on or after 1 April 2013. Taxpayers who redeem tax reserve certificates before this date will continue to get relief for corporation tax.

Tax assessors

91. [Paragraph 54\(1\)](#) repeals section 62(2) and 62(3) of FA 1946 which make provision for compensation to be paid to land tax assessors and income tax assessors made redundant as a result of the Act.
92. [Paragraph 54\(2\)](#) makes consequential amendments.
93. [Paragraph 54\(3\)](#) provides for the commencement of the repeal.

Background Note

94. The Office of Tax Simplification was commissioned by the Chancellor to undertake a review of the reliefs and allowances available in the tax system. Following their review, the Government announced at Budget 2011 that it would repeal seven reliefs immediately and abolish a further 36 reliefs, subject to a period of consultation over summer 2011. The Government response to the consultation was published on 6 December 2011.