Finance Act 2014

2014 CHAPTER 26

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 4

OTHER PROVISIONS

Pensions

41 Pension flexibility: drawdown

(1) In section 165(1) of FA 2004 (rules about payment of pension by registered scheme to member) in pension rule 5 (payments of drawdown pension in a year not to exceed 120% of basis amount for year) for "120%" substitute " 150% ".

(2) In section 167(1) of FA 2004 (rules about payment of pension death benefits by registered scheme in respect of member) in pension death benefit rule 4 (payments of dependants' drawdown pension not to exceed 120% of basis amount for year) for "120%" substitute " 150% ".

(3) In paragraph 14A(2) of Schedule 28 to FA 2004 (amount of minimum income requirement for flexible drawdown by member) for "£20,000" substitute " £12,000 ".

(4) In paragraph 24C(2) of Schedule 28 to FA 2004 (amount of minimum income requirement for flexible drawdown by dependant) for "£20,000" substitute " £12,000 ".

(5) In consequence of subsections (1) and (2), in FA 2013 omit section 50(1) and (2).

(6) The amendments made by subsections (1), (2) and (5) have effect in relation to pension drawdown years beginning on or after 27 March 2014.

(7) The amendment made by subsection (3) has effect in relation to declarations made under section 165(3A) of FA 2004 on or after 27 March 2014.

(8) The amendment made by subsection (4) has effect in relation to declarations made under section 167(2A) of FA 2004 on or after 27 March 2014.

42 Pension flexibility: taking low-value pension rights as lump sum

(1) In paragraph 7(4) of Schedule 29 to FA 2004 (amount of commutation limit for purposes of trivial commutation lump sum) for "£18,000" substitute " £30,000 ".

(2) In paragraph 8 of Schedule 29 to FA 2004 (value of crystallised pension rights for trivial commutation purposes)—

(a) in sub-paragraph (1)(a) omit ", as adjusted under sub-paragraph (2)",

(b) in sub-paragraph (1)(b) omit ", as adjusted under sub-paragraph (3)", and

(c) omit sub-paragraphs (2) and (3), as originally enacted and as substituted by FA 2013.

(3) In consequence of subsection (1), in FA 2011 omit paragraph 4(2) of Schedule 18.

(4) In consequence of subsection (2)(c), in FA 2013 omit paragraph 8(4) of Schedule 22.

(5) In article 23C(4) of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572) (modifications of Schedule 29 to FA 2004) in the inserted paragraph 7A(1)(a) (limit at or below which additional sums can be trivial commutation lump sums) for "£2,000" substitute " £10,000 ".

(6) In the Registered Pension Schemes (Authorised Payments) Regulations 2009 (S.I. 2009/1171)—

(a) in each of regulations 6(1)(b), 8(1)(a), 11(1)(c), 11A(1)(b) and 12(1)(e) (limit at or below which certain payments by registered pension scheme can be authorised payments) for "£2,000" substitute " £10,000 ",

(b) in regulation 10(3)(b) (certain payments by registered pension scheme which can be authorised payments if value of member's pension rights is not more than £18,000) for "£18,000" substitute " £30,000 ",

(c) in regulation 11(1)(d) (upper limit on total value of member's benefits under the scheme which would make the payment and all related schemes) for "£2,000" substitute " £10,000 ",

(d) in regulation 11A(2) (may not be more than one previous payment under regulation 11A) for "one payment" substitute " two payments ", and

(e) in regulation 12(4) (certain payments by registered pension scheme can be authorised payments only if property held in respect of at least 20 members exceeds £2,000) for "£2,000" substitute " £10,000 ".

(7) In consequence of subsection (6)(b), in the Registered Pension Schemes (Miscellaneous Amendments) Regulations 2011 (S.I. 2011/1751) omit regulation 8(4).

(8) The amendments made by subsections (1) to (4) have effect for commutation periods beginning on or after 27 March 2014 and do so irrespective of whether the nominated date is before, on or after 27 March 2014.

(9) The amendment made by subsection (5)—

(a) has effect for lump sums paid on or after 27 March 2014, and

(b) is to be treated as having been made by the Treasury under the powers to make orders conferred by section 283(2) of FA 2004.

(10) The amendments made by subsections (6) and (7) have effect for payments made on or after 27 March 2014.

(11) The amendments made by subsection (6) are to be treated as having been made by the Commissioners for Her Majesty's Revenue and Customs under the powers to make regulations conferred by section 164(1)(f) and (2) of FA 2004.

43 Pension flexibility: further amendments

Schedule 5 makes further provision in connection with pension flexibility.

44 Transitional provision for new standard lifetime allowance for 2014-15 etc

Schedule 6 contains transitional provision in relation to the new standard lifetime allowance for the tax year 2014-15 etc.

45 Taxable specific income: effect on pension input amount for non-UK schemes

(1) Schedule 34 to FA 2004 (application of certain charges to non-UK pension schemes) is amended as follows.

(2) In paragraph 10 (pension input amount for cash balance and defined benefits arrangements), for sub-paragraph (2) substitute—

"(2) The appropriate fraction is—

$$\frac{TE + TSI}{EI}$$

where—

EI is the total amount of employment income of the individual from any relevant employment or employments for the tax year, excluding any such income which is exempt income (within the meaning of section 8 of ITEPA 2003),

TE is so much of EI as constitutes taxable earnings from any such employment (within the meaning of section 10(2) of that Act), and

TSI is so much of EI as constitutes taxable specific income from any such employment (within the meaning of section 10(3) to (5) of that Act)."

(3) In paragraph 11 (pension input amount for other money purchase arrangements), for sub-paragraph (2) substitute—

"(2) The appropriate fraction is—

$$\frac{TE + TSI}{EI}$$

where—

EI is the total amount of employment income of the individual from any employment or employments with the employer for the tax year, excluding any such income which is exempt income (within the meaning of section 8 of ITEPA 2003),

TE is so much of EI as constitutes taxable earnings from any such employment (within the meaning of section 10(2) of that Act), and

TSI is so much of EI as constitutes taxable specific income from any such employment (within the meaning of section 10(3) to (5) of that Act)."

(4) The amendments made by this section have effect for the tax year 2014-15 and subsequent tax years.

46 Pension schemes

Schedule 7 makes provision in relation to pension schemes.

Sporting events

47 Glasgow Grand Prix

(1) An accredited competitor who performs a Grand Prix activity is not liable to income tax in respect of any income arising from the activity if the non-residence condition is met.

(2) The following are Grand Prix activities—

(a) competing at the Glasgow Grand Prix, and

(b) any activity that is performed during the games period the main purpose of which is to support or promote the Glasgow Grand Prix.

(3) The non-residence condition is that—

(a) the accredited competitor is non-UK resident for the tax year 2014-15, or

(b) the accredited competitor is UK resident for the tax year 2014-15 but the year is a split year as respects the competitor and the activity is performed in the overseas part of the year.

(4) Section 966 of ITA 2007 (deduction of sums representing income tax) does not apply to any payment or transfer which gives rise to income benefiting from the exemption under subsection (1).

(5) In this section—

"accredited competitor" means a person to whom an accreditation card in the athletes' category has been issued by the company named UK Athletics Limited which was incorporated on 16 December 1998;

"the games period" means the period—

(a) beginning with 5 July 2014, and

(b) ending with 14 July 2014;

"the Glasgow Grand Prix" means the Glasgow Grand Prix athletics event held at Hampden Park Stadium in Glasgow in July 2014;

"income" means employment income or profits of a trade, profession or vocation (including profits treated as arising as a result of section 13 of ITTOIA 2005).

(6) This section is treated as having come into force on 6 April 2014.

48 Major sporting events: power to provide for tax exemptions

(1) Where a major sporting event is to be held in the United Kingdom, the Treasury may make regulations providing for exemption from income tax and corporation tax in relation to the event.

(2) The regulations may, in particular—

(a) exempt specified classes of person, income or activity from income tax;

(b) exempt specified classes of person, profit, income or activity from corporation tax;

(c) provide for specified classes of activity to be disregarded in determining for fiscal purposes whether a person has a permanent establishment in the United Kingdom;

(d) disapply a duty on a person to deduct a sum representing income tax before making a payment.

(3) The regulations may specify classes of person wholly or partly by reference to—

(a) residence outside the United Kingdom, determined in accordance with the regulations;

(b) documents issued or authority given by persons exercising functions in connection with the sporting event.

(4) Regulations under this section—

(a) may apply (with or without modifications) or disapply any enactment,

(b) may modify, amend, repeal or revoke any enactment,

(c) may make different provision for different purposes, and

(d) may include incidental, consequential, supplementary or transitional provision.

(5) Regulations under this section may not be made unless a draft of the instrument containing them has been laid before, and approved by a resolution of, the House of Commons.

(6) In this section, "enactment" includes an enactment contained in subordinate legislation (within the meaning of the Interpretation Act 1978), and includes an enactment whenever passed or made.

Employee share schemes

49 Share incentive plans: increases in maximum annual awards etc

(1) Schedule 2 to ITEPA 2003 (share incentive plans) is amended as follows.

(2) In paragraph 35(1) (free shares: maximum annual award) for "£3,000" substitute "£3,600".

(3) In paragraph 46(1) (partnership shares: maximum amount of deductions from employee's salary) for "£1,500" substitute " £1,800 ".

(4) The amendments made by this section are treated as having come into force on 6 April 2014.

50 Share incentive plans: power to adjust maximum annual awards etc

(1) Schedule 2 to ITEPA 2003 (share incentive plans) is amended as follows.

(2) In paragraph 35 (free shares: maximum annual award) after sub-paragraph (2) insert—

"(2A) The Treasury may by order amend sub-paragraph (1) by substituting for any amount for the time being specified there an amount specified in the order."

(3) In paragraph 46 (partnership shares: maximum amount of deductions from employee's salary) after sub-paragraph (5) insert—

"(6) The Treasury may by order amend sub-paragraph (1) by substituting for any amount for the time being specified there an amount specified in the order."

(4) In paragraph 60 (matching shares: maximum ratio of matching shares to partnership shares) after sub-paragraph (3) insert—

"(4) The Treasury may by order amend sub-paragraph (2) by substituting for any ratio for the time being specified there a ratio specified in the order."

51 Employee share schemes

Schedule 8 makes provision in relation to employee share schemes.

52 Employment-related securities etc

Schedule 9 contains provision relating to employment-related securities.

Investment reliefs

53 Venture capital trusts

Schedule 10 contains provision about venture capital trusts.

54 Removing time limit on seed enterprise investment scheme relief

(1) Section 257A of ITA 2007 (meaning of "SEIS relief" and commencement) is amended as follows.

(2) For subsection (3) (which limits SEIS relief to shares issued on or after 6 April 2012 but before 6 April 2017) substitute—

"(3) This Part has effect in relation to shares issued on or after 6 April 2012 only."

(3) Omit subsection (4) (which allows the Treasury to extend SEIS relief by order).

55 Removing time limit on CGT relief in respect of re-investment under SEIS

(1) In Schedule 5BB to TCGA 1992 (seed enterprise investment scheme: re-investment), in paragraph 1 (SEIS re-investment relief)—

(a) in sub-paragraph (2)(a), for "or the tax year 2013-14" substitute " or any subsequent tax year ", and

(b) in sub-paragraph (5A), in the definition of "the relevant percentage", in paragraph (b), for "the tax year 2013-14" substitute " any subsequent tax year ".

(2) Accordingly, in section 150G of TCGA 1992 (which introduces Schedule 5BB), omit "in the tax years 2012-13 and 2013-14".

56 Exclusion of incentivised electricity or heat generation activities

(1) ITA 2007 is amended as follows.

(2) In section 192 (EIS: meaning of "excluded activities")—

(a) in subsection (1), omit the "and" at the end of paragraph (ka) and after that paragraph insert—

"(kb) the subsidised generation of heat or subsidised production of gas or fuel, and", and

(b) in subsection (2), omit the "and" at the end of paragraph (f) and after paragraph (g) insert ", and

(h) section 198B (subsidised generation of heat and subsidised production of gas or fuel)."

(3) In section 198A (excluded activities: subsidised generation or export of electricity)—

(a) for subsection (3) substitute—

"(3) The generation of electricity is "subsidised" if—

(a) a person receives a FIT subsidy in respect of the electricity generated,

(b) a renewables obligation certificate is issued in connection with the generation of the electricity, or

(c) a scheme established in a territory outside the United Kingdom, and corresponding to that set out in a renewables obligation order under section 32 of the Electricity Act 1989, operates to incentivise the generation of the electricity.",

F1(b) . . . . . .

(c) in subsection (9), at the end insert—

""renewables obligation certificate" means a certificate issued under section 32B of the Electricity Act 1989 or Article 54 of the Energy (Northern Ireland) Order 2003."

(4) After that section insert—

"**198B Excluded activities: subsidised generation of heat and subsidised production of gas or fuel**

(1) This section supplements section 192(1)(kb).

(2) The generation of heat, or production of gas or fuel, is "subsidised" if a payment is made, or another incentive is given, under—

(a) a scheme established by regulations under section 100 of the Energy Act 2008 or section 113 of the Energy Act 2011 (renewable heat incentives), or

(b) a similar scheme established in a territory outside the United Kingdom,

in respect of the heat generated, or gas or fuel produced.

(3) But the generation of heat, or production of gas or fuel, is not to be taken to fall within section 192(1)(kb) if Condition A or B is met.

(4) Condition A is that the generation or production is carried on by—

(a) a community interest company,

(b) a co-operative society,

(c) a community benefit society,

(d) a NI industrial and provident society, or

(e) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.

(5) Condition B is that the plant used for the generation of the heat, or production of the gas or fuel, relies wholly or mainly on anaerobic digestion.

(6) Section 198A(9) (definitions) applies for the purposes of this section as for the purposes of section 198A."

(5) In section 303 (VCTs: meaning of "excluded activities")—

(a) in subsection (1), omit the "and" at the end of paragraph (ka) and after that paragraph insert—

"(kb) the subsidised generation of heat or subsidised production of gas or fuel, and", and

(b) in subsection (2), omit the "and" at the end of paragraph (f) and after paragraph (g) insert ", and

(h) section 309B (subsidised generation of heat and subsidised production of gas and fuel)."

(6) In section 309A (excluded activities: subsidised generation or export of electricity)—

(a) for subsection (3) substitute—

"(3) The generation of electricity is "subsidised" if—

(a) a person receives a FIT subsidy in respect of the electricity generated,

(b) a renewables obligation certificate is issued in connection with the generation of the electricity, or

(c) a scheme established in a territory outside the United Kingdom, and corresponding to that set out in a renewables obligation order under section 32 of the Electricity Act 1989, operates to incentivise the generation of the electricity.",

F2(b) . . . . . .

(c) in subsection (9), at the end insert—

""renewables obligation certificate" means a certificate issued under section 32B of the Electricity Act 1989 or Article 54 of the Energy (Northern Ireland) Order 2003."

(7) After that section insert—

"**309B Excluded activities: subsidised generation of heat and subsidised production of gas or fuel**

(1) This section supplements section 303(1)(kb).

(2) The generation of heat, or production of gas or fuel, is "subsidised" if a payment is made, or another incentive is given, under—

(a) a scheme established by regulations under section 100 of the Energy Act 2008 or section 113 of the Energy Act 2011 (renewable heat incentives), or

(b) a similar scheme established in a territory outside the United Kingdom,

in respect of the heat generated or gas or fuel produced.

(3) But the generation of heat, or production of gas or fuel, is not to be taken to fall within section 303(1)(kb) if Condition A or B is met.

(4) Condition A is that the generation or production is carried on by—

(a) a community interest company,

(b) a co-operative society,

(c) a community benefit society,

(d) a NI industrial and provident society, or

(e) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.

(5) Condition B is that the plant used for the generation of the heat, or production of the gas or fuel, relies wholly or mainly on anaerobic digestion.

(6) Section 309A(9) (definitions) applies for the purposes of this section as for the purposes of section 309A."

(8) The amendments made by subsections (2) to (4) have effect in relation to shares issued on or after the day on which this Act is passed.

(9) The amendments made by subsections (5) to (7) have effect in relation to a relevant holding issued on or after the day on which this Act is passed.

Textual Amendments

F1 S. 56(3)(b) omitted (with application in accordance with Sch. 6 para. 14 of the amending Act) by virtue of Finance Act 2015 (c. 11), **Sch. 6 para. 12(a)**

F2 S. 56(6)(b) omitted (with application in accordance with Sch. 6 para. 14 of the amending Act) by virtue of Finance Act 2015 (c. 11), **Sch. 6 para. 12(a)**

Social investment relief

57 Relief for investments in social enterprises

(1) Schedule 11 makes provision for and in connection with social investment tax relief.

(2) Schedule 12 makes provision for relief under TCGA 1992 in connection with investments in social enterprises.

Capital gains

58 Relief on disposal of private residence

(1) TCGA 1992 is amended as follows.

(2) In section 223 (relief on disposal of private residence: amount of relief)—

(a) in subsections (1) and (2)(a), for "36 months" substitute " 18 months ";

(b) omit subsections (5) and (6);

(c) in subsection (8), omit the "and" after paragraph (aa) and after that paragraph insert—

"(ab) section 225E (disposals by disabled persons or persons in care homes etc), and".

(3) After section 225D insert—

"**225E Disposals by disabled persons or persons in care homes etc**

(1) This section applies where a gain to which section 222 applies accrues to an individual and—

(a) the conditions in subsection (2) are met, or

(b) the conditions in subsection (3) are met.

(2) The conditions mentioned in subsection (1)(a) are that at the time of the disposal—

(a) the individual is a disabled person or a long-term resident in a care home, and

(b) the individual does not have any other relevant right in relation to a private residence.

(3) The conditions mentioned in subsection (1)(b) are that at the time of the disposal—

(a) the individual's spouse or civil partner is a disabled person or a long-term resident in a care home, and

(b) neither the individual nor the individual's spouse or civil partner has any other relevant right in relation to a private residence.

(4) Where this section applies, the references in section 223(1) and (2)(a) to 18 months are treated as references to 36 months.

(5) An individual is a "long-term resident" in a care home at the time of the disposal if at that time the individual —

(a) is resident there, and

(b) has been resident there, or can reasonably be expected to be resident there, for at least three months.

(6) An individual has "any other relevant right in relation to a private residence" at the time of the disposal if—

(a) at that time—

(i) the individual owns or holds an interest in a dwelling-house or part of a dwelling-house other than that in relation to which the gain accrued, or

(ii) the trustees of a settlement own or hold an interest in a dwelling-house or part of a dwelling-house other than that in relation to which the gain accrued, and the individual is entitled to occupy that dwelling-house or part under the terms of the settlement, and

(b) section 222 would have applied to any gain accruing to the individual or trustees on the disposal at that time of, or of that interest in, that dwelling house or part (or would have applied if a notice under subsection (5) of that section had been given).

(7) In the application of this section in relation to a gain to which section 222 applies by virtue of section 225 (private residence occupied under terms of settlement)—

(a) the reference in subsection (1) of this section to an individual is to the trustees of the settlement;

(b) the references in subsections (2) to (6) of this section to the individual are to the person entitled under the terms of the settlement, as mentioned in section 225.

(8) In this section—

"care home" means an establishment that provides accommodation together with nursing or personal care;

"disabled person" has the meaning given by Schedule 1A to FA 2005."

(4) The amendments made by this section have effect in relation to disposals made on or after 6 April 2014.

59 Remittance basis and split year treatment

(1) Section 12 of TCGA 1992 (non-UK domiciled individuals to whom remittance basis applies) is amended as follows.

(2) After subsection (1) insert—

"(1A) But it does not apply to foreign chargeable gains accruing to an individual in the overseas part of a split year as respects that individual, regardless of the part of the year (the overseas part or the UK part) in which the foreign chargeable gains are remitted."

(3) The amendment made by this section has effect in relation to gains accruing on or after 6 April 2013.

60 Termination of life interest and death of life tenant: disabled persons

(1) TCGA 1992 is amended as follows.

(2) In section 72 (termination of life interest on death of person entitled)—

(a) in subsection (1B)(a)(iii), for "within section 89B(1)(c) or (d)" substitute " , within the meaning given by section 89B ", and

(b) at the end insert—

"(6) An interest which is a disabled person's interest by virtue of section 89B(1)(a) or (b) of the Inheritance Tax Act 1984 is to be treated as an interest in possession for the purposes of this section."

(3) In section 73(3) (death of life tenant: exclusion of chargeable gain), for "to (5)" substitute " to (6) ".

(4) The amendments made by this section have effect in relation to deaths occurring on or after 5 December 2013.

61 Capital gains roll-over relief: relevant classes of assets

(1) Section 155 of TCGA 1992 (relevant classes of assets) is amended as follows.

(2) After the heading "CLASS 7A" insert—

"Assets within heads A and B below.

Head A"

(3) Before the heading "CLASS 8" insert—

"Head B

Payment entitlements under the basic payment scheme (that is, the scheme of income support for farmers in pursuance of Regulation (EU) No 1307/2013 of the European Parliament and of the Council)."

(4) The amendments made by this section have effect where the disposal of the old assets (or an interest in them) or the acquisition of the new assets (or an interest in them) is on or after 20 December 2013.

62 Capital gains roll-over relief: intangible fixed assets

(1) In section 156ZB of TCGA 1992 (intangible fixed assets: interaction with relief under Chapter 7 of Part 8 of CTA 2009), in subsection (1), for "This section" substitute " Subsection (2) ".

(2) In Chapter 14 of Part 8 of CTA 2009 (intangible fixed assets: miscellaneous provisions), after section 870 insert—

"Roll-over relief under TCGA 1992

870A Claims for relief made under sections 152 and 153 of TCGA 1992

(1) Subsection (2) applies where—

(a) a company has made a claim for relief under section 152 or 153 of TCGA 1992 (roll-over relief) during the period beginning with 1 April 2009 and ending with 19 March 2014, and

(b) the relief claimed relates to disposal proceeds that are applied in acquiring an intangible fixed asset within the meaning of this Part.

(2) The company is treated for the purposes of this Part as if the cost of the asset recognised for tax purposes were reduced on 19 March 2014 by the amount in respect of which the relief under section 152 or 153 of TCGA 1992 is given.

(3) But the effect of subsection (2) must not be to reduce the tax written-down value of the asset to below nil.

(4) The references to adjustments in sections 742(3) and 743(3) (assets written down) include any adjustment required by subsection (2).”

(3) The amendment made by subsection (1) has effect in relation to claims for relief under section 152 or 153 of TCGA 1992 made on or after 19 March 2014.

(4) The amendment made by subsection (2) has effect in relation to accounting periods beginning on or after 19 March 2014.

(5) For the purposes of subsection (4), an accounting period beginning before, and ending on or after, 19 March 2014 is to be treated as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods.

63 Avoidance involving losses

(1) In section 184G of TCGA 1992 (avoidance involving losses: schemes converting income to capital)—

(a) for subsections (2) and (3) substitute—

“(2) Condition A is that a receipt or other amount arises to a company directly or indirectly in consequence of, or otherwise in connection with, any arrangements.

(3) Condition B is that—

(a) that amount falls to be taken into account in calculating a chargeable gain (the “relevant gain”) which accrues to a company (“the relevant company”), and

(b) losses accrue (or have accrued) to the relevant company (whether before or after or as part of the arrangements).”, and

(b) in subsection (4), for “the receipt” substitute “ the amount mentioned in subsection (2) ”.

(2) In section 184H of that Act (avoidance involving losses: schemes securing deductions)—

(a) in subsection (2)(b), omit “on any disposal of any asset”,

(b) for subsection (3) substitute—

“(3) Condition B is that the relevant company, or a company connected with the relevant company, becomes entitled to an income deduction directly or indirectly in consequence of, or otherwise in connection with, the arrangements.”,

(c) in subsection (4), for paragraph (a) substitute—

"(a) that income deduction, and", and

(d) in subsection (10), after the definition of "arrangements" insert—

""income deduction" means—

(a) a deduction in calculating income for corporation tax purposes, or

(b) a deduction from total profits,".

(3) The amendments made by this section have effect—

(a) in relation to arrangements entered into on or after 30 January 2014, and

(b) in relation to arrangements entered into before that date but only to the extent that any chargeable gain accrues on a disposal which occurs on or after that date.

Capital allowances

64 Extension of capital allowances

(1) Part 2 of CAA 2001 (plant and machinery allowances) is amended as follows.

(2) In section 45D (expenditure on cars with low carbon dioxide emissions), after subsection (1) insert—

"(1A) The Treasury may by order amend subsection (1)(a) so as to extend the period specified."

(3) In section 45DA (expenditure on zero-emission goods vehicles), after subsection (1) insert—

"(1A) The Treasury may by order amend subsection (1)(a) so as to extend the period specified."

(4) In section 45E (expenditure on plant or machinery for gas refuelling station), after subsection (1) insert—

"(1A) The Treasury may by order amend subsection (1)(a) so as to extend the period specified."

(5) In section 45K (expenditure on plant and machinery for used in designated assisted areas)—

(a) in subsection (1), in paragraph (b) for "5 years" substitute " 8 years ", and

(b) after that subsection insert—

"(1A) The Treasury may by order amend subsection (1)(b) so as to extend the period specified."

65 General Block Exemption Regulation

Schedule 13 makes provision in relation to Commission Regulation (EU) No 651/2014 (General block exemption Regulation).

66 Business premises renovation allowances

(1) Section 360B of CAA 2001 (business premises renovation allowances: meaning of "qualifying expenditure") is amended in accordance with subsections (2) to (6).

(2) For subsection (1) substitute—

"(1) In this Part "qualifying expenditure" means capital expenditure incurred before the expiry date—

(a) in respect of which Conditions A and B are met, and

(b) which is not excluded by subsection (3), (3B) or (3D)."

(3) After subsection (2) insert—

"(2A) Condition A is that the expenditure is incurred on—

(a) the conversion of a qualifying building into qualifying business premises,

(b) the renovation of a qualifying building if it is or will be qualifying business premises, or

(c) repairs to a qualifying building or, where the building is part of a building, to the building of which the qualifying building forms part, to the extent that the repairs are incidental to expenditure within paragraph (a) or (b).

(2B) Condition B is that the expenditure is incurred on—

(a) building works,

(b) architectural or design services,

(c) surveying or engineering services,

(d) planning applications, or

(e) statutory fees or statutory permissions.

(2C) But Condition B is treated as met in respect of expenditure incurred on matters not mentioned in that Condition to the extent that that expenditure (in total) does not exceed 5% of the qualifying expenditure incurred on the matters mentioned in subsection (2B)(a) to (c)."

(4) In subsection (3)—

(a) for "not qualifying expenditure" substitute " excluded ", and

(b) in paragraph (d), for "as defined by section 173(1)" substitute " (as defined by section 173(1)) and falls within subsection (3A) ".

(5) After that subsection insert—

"(3A) The fixtures which fall within this subsection are—

(a) integral features within the meaning of section 33A (taking account of section 33A(6) and any provision for the time being made under section 33A(7)) or part of such a feature;

(b) automatic control systems for opening and closing doors, windows and vents;

(c) window cleaning installations;

(d) fitted cupboards and blinds;

(e) protective installations such as lightning protection, sprinkler and other equipment for containing or fighting fires, fire alarm systems and fire escapes;

(f) building management systems;

(g) cabling in connection with telephone, audio-visual data installations and computer networking facilities, which are incidental to the occupation of the building;

(h) sanitary appliances, and bathroom fittings which are hand driers, counters, partitions, mirrors or shower facilities;

(i) kitchen and catering facilities for producing and storing food and drink for the occupants of the building;

(j) signs;

(k) public address systems;

(l) intruder alarm systems.

(3B) Expenditure is excluded if, and to the extent that, it exceeds the market value amount for the works, services or other matters to which it relates.

(3C) "The market value amount" means the amount of expenditure which it would have been normal and reasonable to incur on the works, services or other matters—

(a) in the market conditions prevailing when the expenditure was incurred, and

(b) assuming the transaction as a result of which the expenditure was incurred was between persons dealing with each other at arm's length in the open market.

(3D) Expenditure is excluded if the qualifying building was used at any time during the period of 12 months ending with the day on which the expenditure is incurred."

(6) In subsection (5), after "regulations" insert "—

(a) amend this section so as to add a description of fixture to the list in subsection (3A), or vary or remove a description of fixture in that list;

(b)"

(7) After that section insert—

"**360BA Expenditure not treated as qualifying expenditure if delay in carrying out works etc**

(1) This section applies where—

(a) (ignoring this section) qualifying expenditure is incurred on works, services or other matters in a chargeable period, and

(b) those works, services or other matters are not completed or provided before the end of the period of 36 months beginning with the date the expenditure was incurred.

(2) To the extent that it relates to so much of those works, services or other matters as are not completed or provided before the end of that period, the expenditure is to be treated for the purposes of this Part as never having been incurred (unless and until subsection (6) applies).

(3) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (2).

(4) If a person who has made a tax return becomes aware that, after making it, anything in it has become incorrect because of the operation of this section, the person must give notice to an officer of Revenue and Customs specifying how the return needs to be amended.

(5) The notice must be given within 3 months beginning with the day on which the person first became aware that anything in the return had become incorrect because of the operation of this section.

(6) If, at any time after the end of the period mentioned in subsection (1)(b), those works, services or other matters are completed or provided, the expenditure to which subsection (2) applies is to be treated for the purposes of this Part as incurred at that time."

(8) For section 360L of that Act (grants affecting entitlement to allowances) substitute—

"**360L Grants affecting entitlement to allowances**

(1) No initial allowance or writing-down allowance under this Part is to be made in respect of qualifying expenditure in respect of a qualifying building if a relevant grant or relevant payment is made towards—

(a) that expenditure, or

(b) any other expenditure which is incurred by any person in respect of the same building, and on the same single investment project as that expenditure.

(2) An initial allowance or writing-down allowance made in respect of qualifying expenditure is to be withdrawn if—

(a) after it is made, a relevant grant or relevant payment is made towards that expenditure, or

(b) within the period of 3 years beginning when that expenditure was incurred, a relevant grant or relevant payment is made towards any other expenditure which is incurred by any person in respect of the same building, and on the same single investment project, as that expenditure.

(3) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (2).

(4) If a person who has made a return becomes aware that, after making it, anything in it has become incorrect because of the operation of this section, that person must give notice to an officer of Revenue and Customs specifying how the return needs to be amended.

(5) The notice must be given within 3 months beginning with the day on which the person first became aware that anything in the return had become incorrect because of the operation of this section.

(6) In this section—

"General Block Exemption Regulation" means Commission Regulation (EU) No 651/2014 (General block exemption Regulation);

"relevant grant or relevant payment" means a grant or payment which is—

(a) a State aid, other than an allowance under this Part, or

(b) a grant or subsidy, other than a State aid, which the Treasury by order declares to be relevant for the purposes of the withholding of allowances under this Part;

"single investment project" has the same meaning as in the General Block Exemption Regulation.

(7) Nothing in this section limits references to "State aid" to State aid which is required to be notified to and approved by the European Commission.

(8) The Treasury may by order amend this section to make provision consequential upon the General Block Exemption Regulation being replaced by another instrument."

(9) In section 360M of that Act (when balancing adjustments are made), in subsection (4) for "7" substitute " 5 ".

(10) Subject to subsection (11), the amendments made by this section have effect for expenditure incurred on or after the specified day.

(11) Section 360L of CAA 2001 (inserted by subsection (8)) has effect—

(a) in relation to a relevant grant or relevant payment made at any time (whether before or on or after the specified day) towards expenditure incurred on or after that day, and

(b) in relation to a relevant grant or relevant payment made on or after the specified day towards expenditure incurred before that day.

(12) "The specified day" means—

(a) for income tax purposes, 6 April 2014, and

(b) for corporation tax purposes, 1 April 2014.

(13) In the application of section 360L of CAA 2001 in relation to expenditure incurred before the day on which this Act is passed, the definition of "General Block Exemption Regulation" in subsection (6) of that section is to be treated as referring to Commission Regulation (EC) No 800/2008.

67 Mineral extraction allowances: activities not within charge to tax

(1) CAA 2001 is amended as follows.

(2) In section 394(2) (meaning of mineral extraction trade), after "deposits" insert " but to the extent only that the profits or gains from that trade are, or (if there were any) would be, chargeable to tax ".

(3) In section 399 (expenditure excluded from being qualifying expenditure), after subsection (1) insert—

"(1A) Expenditure incurred by a person for the purposes of a mineral extraction trade is not qualifying expenditure if—

(a) when the expenditure is incurred, the person is carrying on the trade but the trade is not at that time a mineral extraction trade, or

(b) the person has not begun to carry on the trade when the expenditure is incurred and, when the person begins to carry on the trade, the trade is not a mineral extraction trade.

(1B) Section 577(2) (references to commencement etc of a trade) does not apply to subsection (1A)."

(4) In section 160 (expenditure treated as incurred for purposes of mineral extraction trade)—

(a) the existing text becomes subsection (1), and

(b) after that subsection insert—

"(2) Subsection (1) does not apply to expenditure if—

(a) when it is incurred, the person is carrying on the trade but the trade is not at that time a mineral extraction trade, or

(b) when it is incurred, the person has not begun to carry on the trade and, when the person begins to carry on the trade, the trade is not a mineral extraction trade.

(3) Section 577(2) (references to commencement etc of a trade) does not apply to subsection (2)."

(5) For section 161(4)(a) (pre-trading expenditure on plant or machinery for mineral exploration and access), substitute—

"(a) pre-trading expenditure" means capital expenditure incurred before the day on which a person begins to carry on a trade that is a mineral extraction trade, but only if there is no prior time when the person carried on that trade and the trade was not a mineral extraction trade,".

(6) After section 161(4) insert—

"(4A) Section 577(2) (references to commencement etc of a trade) does not apply to subsection (4)(a)."

(7) After section 431 (discontinuance of trade) insert—

"**431A Foreign permanent establishment exemption**

(1) Subsection (2) applies if—

(a) an election under section 18A of CTA 2009 has effect in relation to a company, and

(b) the company carries on any trade which consists of, or includes, the working of a source of mineral deposits.

(2) That trade so far as carried on through one or more permanent establishments outside the United Kingdom is treated for the purposes of this Part as a trade—

(a) separate from any other trade of the company, and

(b) all the profits and gains from which are not, or (if there were any) would not be, chargeable to tax.

431B Disposal value: no allowance/no charge cases

(1) If—

(a) an election under section 18A of CTA 2009 has effect in relation to a company, and

(b) the operation of sections 431A and 421(1)(b)(ii) and (2) requires the company to bring the disposal value of an asset into account,

the disposal value is such an amount as gives rise to neither a balancing allowance nor a balancing charge.

(2) Subsection (1) does not apply if—

(a) the company's qualifying expenditure in respect of the asset exceeds £5 million,

(b) the company has claimed any capital allowance in respect of any of that expenditure, and

(c) the company has, at any time in a relevant accounting period, used the asset otherwise than for the purposes of a permanent establishment outside the United Kingdom.

(3) In subsection (2)(c) "relevant accounting period" means an accounting period ending before, but ending not more than 6 years before, "the relevant day" as defined by section 18F of CTA 2009.

431C Notional allowances

(1) Subsection (2) applies if—

(a) an election under section 18A of CTA 2009 has effect in relation to a company, and

(b) but for section 18A of CTA 2009 and section 431A(2)(b), an allowance under this Part ("the notional allowance") could be claimed under section 3(1) in respect of assets provided for the purposes of a permanent establishment outside the United Kingdom through which business is or has been carried on by the company.

(2) The notional allowance (and any charge in connection with it which would have arisen if the allowance had been claimed) is to be made automatically and reflected in any calculation, for any relevant accounting period of the company, of the profits or losses attributable to business carried on by the company through such a permanent establishment.

(3) Subsection (4) applies if, at the time an election under section 18A of CTA 2009 takes effect in relation to a company, the company is, by reason of sections 431A and 421(1)(b)(ii) and (2), required to bring into account the disposal value of any asset provided for the purposes of a foreign permanent establishment through which business is or has been carried on by the company.

(4) For the purposes of subsections (1) and (2), the company is treated as having incurred at that time, for the purposes of the trade mentioned in section 431A(2), qualifying expenditure of an amount equal to that disposal value.

(5) In subsection (2) "relevant accounting period", in relation to a company by which an election under section 18A of CTA 2009 is made, means an accounting period of the company to which the election applies (as to which see section 18F of that Act)."

(8) The amendments made by subsections (1) to (6) of this section have effect—

(a) for the purposes of corporation tax, in relation to claims made on or after 1 April 2014, and

(b) for the purposes of income tax, in relation to claims made on or after 6 April 2014,

and in relation to those claims the amendments are treated as always having had effect.

(9) The amendment made by subsection (7) has effect in relation to elections under section 18A of CTA 2009 which start to have effect on or after 1 April 2014.

68 Mineral extraction allowances: expenditure on planning permission

(1) Part 5 of CAA 2001 (mineral extraction allowances) is amended as follows.

(2) In section 396 (meaning of "mineral exploration and access"), in subsection (2) for "if planning permission is not granted" substitute " and not as expenditure on acquiring a mineral asset ".

(3) In section 398 (relationship between main types of qualifying expenditure), after "Subject to" insert " section 396(2) and ".

(4) The amendments made by this section have effect in relation to expenditure incurred on or after the day on which this Act is passed.

Oil and gas

[F3]69 Extended ring fence expenditure supplement for onshore activities

. . . . . .

Textual Amendments

F3 S. 69 repealed (with effect in accordance with Sch. 11 para. 14 of the amending Act) by Finance Act 2015 (c. 11), **Sch. 11 para. 13(2)**

70 Supplementary charge: onshore allowance

Schedule 15 contains provision about the reduction of adjusted ring fence profits by means of an onshore allowance.

71 Oil and gas: reinvestment after pre-trading disposal

(1) In Chapter 2 of Part 6 of TCGA 1992 (oil and mineral industries), after section 198I insert—

"**198J Oil and gas: reinvestment after pre-trading disposal**

(1) This section applies if a company which is an E&A company makes a disposal of, or of the company's interest in, relevant E&A assets and that disposal is—

(a) a disposal of, or of an interest in, a UK licence which relates to an undeveloped area, or

(b) a disposal of an asset used in an area covered by a licence under Part 1 of the Petroleum Act 1998 or the Petroleum (Production) Act (Northern Ireland) 1964 which authorises the company to undertake E&A activities.

(2) If—

(a) the consideration which the company obtains for the disposal is applied by the company, within the permitted reinvestment period—

(i) on E&A expenditure at a time when the company is an E&A company, or

(ii) on oil assets taken into use, and used only, for the purposes of a ring fence trade carried on by it, and

(b) the company makes a claim under this subsection in relation to the disposal,

any gain accruing to the company on the disposal is not a chargeable gain.

(3) If part only of the amount or value of the consideration for the disposal is applied as described in subsection (2)(a)—

(a) subsection (2) does not apply, but

(b) subsection (4) applies if all of the amount or value of the consideration is so applied except for a part which is less than the amount of the gain (whether all chargeable gain or not) accruing on the disposal.

(4) If the company makes a claim under this subsection in relation to the disposal, the company is to be treated for the purposes of this Act as if the amount of the gain accruing on the disposal were reduced to the amount of the part mentioned in subsection (3)(b) (and, if not all chargeable gain, with a proportionate reduction in the amount of the chargeable gain).

(5) The incurring of expenditure is within "the permitted reinvestment period" if the expenditure is incurred in the period beginning 12 months before and ending 3 years after the disposal, or at such earlier or later time as the Commissioners for Her Majesty's Revenue and Customs may by notice allow.

(6) Subsections (6), (7), (10) and (11) of section 152 apply for the purposes of this section as they apply for the purposes of section 152, except that—

(a) in subsection (6) the reference to a trade is to be read as a reference to E&A activities or a ring fence trade,

(b) in subsection (7), the reference to the old assets is to be read as a reference to the assets disposed of as mentioned in subsection (1) of this section, and

(c) in subsection (7), the references to the trade are to be read as references to the E&A activities.

(7) In this section—

"E&A activities" means oil and gas exploration and appraisal in the United Kingdom or an area designated by Order in Council under section 1(7) of the Continental Shelf Act 1964;

"E&A company" means a company which carries on E&A activities and does not carry on a ring fence trade;

"E&A expenditure" means expenditure on E&A activities which is treated as such under generally accepted accounting practice;

"oil asset" has the same meaning as in section 198E, and section 198I applies for the purposes of this section as it applies for the purposes of section 198E;

"relevant E&A assets" means assets which—

(a) are used, and used only, for the purposes of E&A activities carried on by the company throughout the period of ownership, and

(b) are within the classes of assets listed in section 155 (with references to "the trade" in that section being read as references to the E&A activities);

"ring fence trade" has the meaning given by section 277 of CTA 2010;

"UK licence" means a licence within the meaning of Part 1 of the Oil Taxation Act 1975;

and a reference to a UK licence which relates to an undeveloped area has the same meaning as in section 194 (see section 196).

198K Provisional application of section 198J

(1) This section applies where a company for a consideration disposes of, or of an interest in, any assets at a time when it is an E&A company and declares, in the company's return for the chargeable period in which the disposal takes place—

(a) that the whole or any specified part of the consideration will be applied, within the permitted reinvestment period—

(i) on E&A expenditure at a time when the company is an E&A company, or

(ii) on expenditure on oil assets which are taken into use, and used only, for the purposes of the company's ring fence trade, and

(b) that the company intends to make a claim under section 198J(2) or (4) in relation to the disposal.

(2) Until the declaration ceases to have effect, section 198J applies as if the expenditure had been incurred and the person had made such a claim.

(3) The declaration ceases to have effect as follows—

(a) if and to the extent that it is withdrawn before the relevant day, or is superseded before that day by a valid claim under section 198J, on the day on which it is so withdrawn or superseded, and

(b) if and to the extent that it is not so withdrawn or superseded, on the relevant day.

(4) On the declaration ceasing to have effect in whole or in part, all necessary adjustments—

(a) are to be made by making or amending assessments or by repayment or discharge of tax, and

(b) are to be so made despite any limitation on the time within which assessments or amendments may be made.

(5) In this section "the relevant day" means the fourth anniversary of the last day of the accounting period in which the disposal took place.

(6) For the purposes of this section—

(a) sections (6), (10) and (11) of section 152 apply as they apply for the purposes of that section, except that in subsection (6) the reference to a trade is to be read as a reference to E&A activities or a ring fence trade, and

(b) terms used in this section which are defined in section 198J have the meaning given by that section.

198L Expenditure by member of same group

(1) Section 198J applies where—

(a) the disposal is by a company which, at the time of the disposal, is a member of a group of companies (within the meaning of section 170),

(b) the E&A expenditure or expenditure on oil assets is by another company which, at the time the expenditure is incurred, is a member of the same group, and

(c) the claim under section 198J is made by both companies,

as if both companies were the same person.

(2) "E&A company", "E&A expenditure" and "oil assets" have the meaning given by section 198J."

(2) The amendment made by this section has effect in relation to disposals made on or after 1 April 2014.

72 Substantial shareholder exemption: oil and gas

(1) In Schedule 7AC to TCGA 1992 (exemption for disposals by companies with substantial shareholding), in paragraph 15A (effect of transfer of trading assets within a group), after sub-paragraph (2) insert—

"(2A) For the purposes of sub-paragraph (2)(b) and (d), "trade" includes oil and gas exploration and appraisal."

(2) The amendment made by this section has effect in relation to disposals made on or after 1 April 2014.

73 Oil contractor activities: ring-fence trade etc

Schedule 16 contains provision about the corporation tax treatment of oil contractor activities.

Partnerships

74 Partnerships

Schedule 17 makes provision in relation to partnerships.

Transfer pricing

75 Transfer pricing: restriction on claims for compensation adjustments

(1) Chapter 4 of Part 4 of TIOPA 2010 (transfer pricing: position of disadvantaged person) is amended as follows.

(2) In section 174 (claim by the affected person who is potentially advantaged), in subsection (3), before the entry for section 175 insert— " section 174A (claim not allowed in some cases where the disadvantaged person is within the charge to income tax), ".

(3) After that section insert—

"**174A Claims under section 174 where disadvantaged person within charge to income tax**

A claim under section 174 may not be made if—

(a) the disadvantaged person is a person (other than a company) within the charge to income tax in respect of profits arising from the relevant activities, and

(b) the advantaged person is a company."

(4) After section 187 insert—

"Treatment of interest where claim prevented by section 174A

187A Excess interest treated as a qualifying distribution

(1) Subsection (2) applies if Conditions A to C in section 187 are met in circumstances where section 174A prevents a claim under section 174.

(2) The interest paid under the actual provision, so far as it exceeds ALINT, is treated for the purposes of the Income Tax Acts as a dividend paid by the company which paid the interest (and, accordingly, as a qualifying distribution)."

(5) The amendments made by this section have effect in relation to any amount arising on or after 25 October 2013, except pre-commencement interest.

(6) "Pre-commencement interest" means an amount of interest to the extent that it is, in accordance with generally accepted accounting practice, referable to a period before 25 October 2013.

Changes to legislation:
Finance Act 2014, CHAPTER 4 is up to date with all changes known to be in force on or before 03 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.
View outstanding changes

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:
Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 212(4)(f) and word inserted by 2021 c. 26 Sch. 27 para. 43(b)(ii)
- s. 212(5)(a)(iv) and word inserted by 2021 c. 26 Sch. 27 para. 43(c)(ii)
- s. 212(5)(b)(iv) and word inserted by 2021 c. 26 Sch. 27 para. 43(c)(iv)
- s. 212(5)(c)(iv) and word inserted by 2021 c. 26 Sch. 27 para. 43(c)(v)
- Sch. 31 para. 2(3)(b) inserted by 2017 c. 32 Sch. 14 para. 45(2)(a)(iii)
- Sch. 31 para. 2(4A) inserted by 2017 c. 32 Sch. 14 para. 45(2)(c)
- Sch. 31 para. 3(1A) inserted by 2017 c. 32 Sch. 14 para. 45(3)(b)
- Sch. 31 para. 5(b) inserted by 2017 c. 32 Sch. 14 para. 45(4)(c)
- Sch. 31 para. 2(3)(a) words inserted by 2017 c. 32 Sch. 14 para. 45(2)(a)(ii)
- Sch. 31 para. 5(a) words inserted by 2017 c. 32 Sch. 14 para. 45(4)(b)
- Sch. 31 para. 2(3)(a) words renumbered as Sch. 31 para. 2(3)(a) by 2017 c. 32 Sch. 14 para. 45(2)(a)(i)
- Sch. 31 para. 5(a) words renumbered as Sch. 31 para. 5(a) by 2017 c. 32 Sch. 14 para. 45(4)(a)
- Sch. 32 para. 1(2)(b) inserted by 2017 c. 32 Sch. 14 para. 46(2)(a)(iii)
- Sch. 32 para. 1(3A) inserted by 2017 c. 32 Sch. 14 para. 46(2)(c)
- Sch. 32 para. 1(2)(a) words inserted by 2017 c. 32 Sch. 14 para. 46(2)(a)(ii)
- Sch. 32 para. 1(2)(a) words renumbered as Sch. 32 para. 1(2)(a) by 2017 c. 32 Sch. 14 para. 46(2)(a)(i)