



Finance Act 2012

2012 CHAPTER 14

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 2

INCOME TAX: GENERAL

Child benefit

8 High income child benefit charge

Schedule 1 contains provision for and in connection with a high income child benefit charge.

Anti-avoidance

9 Post-cessation trade or property relief: tax-generated payments or events

- (1) Part 4 of ITA 2007 (loss relief) is amended as follows.
- (2) In section 96(7) (post-cessation trade relief), after paragraph (b) insert—
“(ba) section 98A (denial of relief for tax-generated payments or events),”.
- (3) After section 98 insert—

“98A Denial of relief for tax-generated payments or events

- (1) Post-cessation trade relief is not available to a person in respect of a payment or an event which is made or occurs directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements (and,

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accordingly, no section 261D claim may be made in respect of the payment or event).

(2) For this purpose “relevant tax avoidance arrangements” means arrangements

- (a) to which the person is a party, and
- (b) the main purpose, or one of the main purposes, of which is the obtaining of a reduction in tax liability as a result of the availability of post-cessation trade relief (whether by making a claim for that relief or a section 261D claim).

(3) In this section—

- (a) “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable), and
- (b) “section 261D claim” means a claim under section 261D of TCGA 1992.”

(4) In section 125(6) (post-cessation property relief), after paragraph (b) insert—

“(ba) section 98A (denial of relief for tax-generated payments or events),”.

(5) The amendments made by subsections (2) and (3) have effect in relation to—

- (a) payments which are made on or after 12 January 2012 except where they are made pursuant to an unconditional obligation in a contract made before that date, or
- (b) events which occur on or after that date.

(6) The amendment made by subsection (4) has effect in relation to—

- (a) payments which are made on or after 13 March 2012 except where they are made pursuant to an unconditional obligation in a contract made before that date, or
- (b) events which occur on or after that date.

(7) In subsections (5)(a) and (6)(a) “an unconditional obligation” means an obligation which may not be varied or extinguished by the exercise of a right (whether under the contract or otherwise).

(8) For the purposes of subsections (5)(b) and (6)(b) section 98 of ITA 2007 applies for determining when an event occurs.

10 Property loss relief against general income: tax-generated agricultural expenses

(1) Chapter 4 of Part 4 of ITA 2007 (losses from property businesses) is amended as follows.

(2) In section 117(3) (overview of Chapter), for “section 127A” substitute “sections 127A and 127B”.

(3) In section 120(7) (deduction of property losses from general income), at the end insert “and section 127B (no relief for tax-generated agricultural expenses)”.

(4) After section 127A insert—

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“127B No relief for tax-generated agricultural expenses

- (1) This section applies if—
 - (a) in a tax year a person makes a loss in a UK property business or overseas property business (whether carried on alone or in partnership),
 - (b) the business has a relevant agricultural connection for the purposes of section 120 (see section 123(3) to (7)), and
 - (c) any allowable agricultural expenses deducted in calculating the loss arise directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements.
- (2) No property loss relief against general income may be given to the person for so much of the applicable amount of the loss as is attributable to expenses falling within subsection (1)(c).
- (3) For the purposes of subsection (2), the applicable amount of the loss is to be treated as attributable to expenses falling within subsection (1)(c) before anything else.
- (4) In subsection (1) “relevant tax avoidance arrangements” means arrangements—
 - (a) to which the person is a party, and
 - (b) the main purpose, or one of the main purposes, of which is the obtaining of a reduction in tax liability by means of property loss relief against general income.
- (5) In subsection (4) “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).
- (6) In this section “the applicable amount of the loss” has the meaning given by section 122 and “allowable agricultural expenses” has the meaning given by section 123.”
- (5) The amendments made by this section have effect in relation to expenses arising directly or indirectly in consequence of, or otherwise in connection with—
 - (a) arrangements which are entered into on or after 13 March 2012, or
 - (b) any transaction forming part of arrangements which is entered into on or after that date.
- (6) But those amendments do not have effect where the arrangements are, or any such transaction is, entered into pursuant to an unconditional obligation in a contract made before that date.
- (7) “An unconditional obligation” means an obligation which may not be varied or extinguished by the exercise of a right (whether under the contract or otherwise).

11 Gains from contracts for life insurance etc

- (1) In Chapter 9 of Part 4 of ITTOIA 2005 (gains from contracts for life insurance etc), after section 473 insert—

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“473A Connected policies or contracts treated as single policy or contract

- (1) Policies or contracts which are connected with each other are treated as a single policy or contract for the purposes of this Chapter.
- (2) A policy or contract is “connected” with another policy or contract if—
 - (a) they meet the condition in subsection (3) in relation to each other, and
 - (b) the terms on which either of them is issued are significantly more or less favourable than would reasonably be expected if the other were ignored or any policy or contract meeting the condition in that subsection in relation to either of them were ignored.
- (3) A policy or contract meets the condition in this subsection in relation to another policy or contract if—
 - (a) they are at any time simultaneously in force, and
 - (b) either of them is issued with reference to the other or with a view to enabling the other to be issued on particular terms or facilitating its being issued on those terms.
- (4) If—
 - (a) there is a policy or contract (“A”) with which two or more other policies or contracts are connected as a result of subsection (2), but
 - (b) the other policies or contracts are not connected with each other as a result of that subsection,

A and the other policies or contracts are (as a result of this subsection) to be regarded as “connected” with each other.”
- (2) In section 491(2) of that Act (calculating gains from contracts for life insurance etc: general rules), in the definition of “PG”, at the end insert “but only in so far as those gains have been, or fall to be, taken into account in calculating the total income of a person as a result of this Chapter or Chapter 2 of Part 13 of ITA 2007”.
- (3) In section 552 of ICTA (information: duty of insurers), for subsection (13) substitute—

“(13) For the purposes of this section—

 - (a) section 491(2) of ITTOIA 2005 is taken to have effect as if, in the definition of “PG”, the words from “but” to the end were omitted, and
 - (b) no account is to be taken of the effect of section 541A of that Act.”
- (4) The amendments made by this section have effect in relation to—
 - (a) any policy issued in respect of an insurance made on or after 21 March 2012, or
 - (b) any contract made on or after that date.
- (5) The amendments made by this section also have effect in the case of any insurance or contract made before 21 March 2012 if on or after that date—
 - (a) the policy or contract is varied with the result that there is an increase in the benefits secured,
 - (b) there is an assignment of rights, or a share of the rights, conferred by the policy or contract (whether or not for money’s worth), or
 - (c) some or all of the rights conferred by the policy or contract become held as security for a debt.

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- (6) For the purposes of subsection (5)(a)—
- (a) an exercise of rights conferred by a policy or contract is to count as a variation of the policy or contract, and
 - (b) the reference to an increase in the benefits secured by a policy or contract includes an increase in the benefits secured by another policy or contract with which the policy or contract is connected (within the meaning given by section 473A of ITTOIA 2005, as inserted by subsection (1)).

12 Settlements: income originating from settlors other than individuals

- (1) ITTOIA 2005 is amended as follows.
- (2) In section 627 (income where settlor retains an interest: exceptions), at the end insert—
- “(4) The rule in section 624(1) does not apply in relation to income which—
 - (a) arises under a settlement, and
 - (b) originates from any settlor who was not an individual.”
- (3) In section 645 (property or income originating from settlor), in subsection (2), for “section 644” substitute “sections 627 and 644”.
- (4) The amendments made by this section have effect in relation to income arising on or after 21 March 2012.

Reliefs

13 Champions League final 2013

- (1) No liability to income tax arises in respect of any income from the 2013 Champions League final that arises to a person who is—
- (a) an employee or contractor of an overseas team that competes in the final, and
 - (b) non-UK resident at the time of the final.
- (2) The reference in subsection (1) to income from the 2013 Champions League final is to income related to duties or services performed by the person in the United Kingdom in connection with the final.
- (3) The exemption under subsection (1) does not apply to—
- (a) income that arises as a result of a contract entered into after the final, or of any amendment, after the final, of a contract entered into before the end of the final, or
 - (b) income that is the subject of tax avoidance arrangements.
- (4) Income is the subject of tax avoidance arrangements if—
- (a) arrangements have been made which, but for subsection (3)(b), would result in a person obtaining an exemption under subsection (1) for the income, and
 - (b) those arrangements, or other arrangements of which they form part, have as their main purpose, or one of their main purposes, the obtaining of that exemption.

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- (5) 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).
- (6) In this section—
- “the 2013 Champions League final” means the final of the UEFA Champions League 2012/2013 competition held in England in 2013;
 - “contractor”, in relation to an overseas team, means an individual who is not an employee of the team but who performs services for the team—
 - (a) under the terms of a contract with the team, or
 - (b) under the terms of a contract, or that individual’s employment, with a company which is a member of the same group of companies as the team (within the meaning given by section 152 of CTA 2010);
 - “employee” and “employment” are to be read in accordance with section 4 of ITEPA 2003;
 - “income” means employment income or profits of a trade, profession or vocation (including profits treated as arising as a result of section 13 or 14 of ITTOIA 2005);
 - “overseas team” means a football club which is not a member of the Football Association, the Scottish Football Association, the Football Association of Wales or the Irish Football Association.

14 Cars: security features not to be regarded as accessories

- (1) ITEPA 2003 is amended as follows.
- (2) In section 125 (meaning of “accessory” and related terms) after subsection (3) insert—
- “(3A) Subsection (2) needs to be read with section 125A (security features not to be regarded as accessories).”
- (3) After that section insert—

“125A Security features not to be regarded as accessories

- (1) This section applies where a car made available to an employee has a relevant security feature.
- (2) The relevant security feature is not an accessory for the purposes of this Chapter if it is provided in order to meet a threat to the employee’s personal physical security which arises wholly or mainly because of the nature of the employee’s employment.
- (3) In this section “relevant security feature” means—
 - (a) armour designed to protect the car’s occupants from explosions or gunfire,
 - (b) bullet-resistant glass,
 - (c) any modification to the car’s fuel tank designed to protect the tank’s contents from explosions or gunfire (including by making the tank self-sealing), and
 - (d) any modification made to the car in consequence of anything which is a relevant security feature by virtue of paragraph (a), (b) or (c).

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(4) The Treasury may by regulations amend the definition of “relevant security feature” in subsection (3).”

(4) In Part 2 of Schedule 1 (index of defined expressions), in the entry for “accessory”, in the second column for “section 125(2)” substitute “sections 125(2) and 125A(2)”.

(5) The amendments made by this section have effect for the tax year 2011-12 and subsequent tax years.

15 Termination payments to MPs ceasing to hold office

(1) In section 291 of ITEPA 2003 (exemptions: termination payments to MPs and others ceasing to hold office), for subsection (2)(a) substitute—

“(a) made under section 5(1) of the Parliamentary Standards Act 2009 in connection with a person’s ceasing to be a member of the House of Commons,”.

(2) The amendment made by this section has effect in relation to grants and payments made on or after 1 April 2012.

16 Employment income exemptions: armed forces

(1) Chapter 8 of Part 4 of ITEPA 2003 (exemptions: special kinds of employees) is amended as follows.

(2) In section 297A (exemption for Operational Allowance), in subsection (2), for “by the Secretary of State” substitute “under a Royal Warrant made under section 333 of the Armed Forces Act 2006”.

(3) In section 297B (exemption for Council Tax Relief), in subsection (2), for “by the Secretary of State” substitute “under a Royal Warrant made under section 333 of the Armed Forces Act 2006”.

(4) After that section insert—

“297C Armed forces: Continuity of Education Allowance

(1) No liability to income tax arises in respect of payments of the Continuity of Education Allowance to or in respect of members of the armed forces of the Crown during their employment under the Crown or after their deaths.

(2) The Continuity of Education Allowance is an allowance designated as such under a Royal Warrant made under section 333 of the Armed Forces Act 2006.”

(5) The amendments made by this section have effect in relation to payments made on or after 6 April 2012.

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Other provisions

17 Taxable benefits: “the appropriate percentage” for cars for 2014-15

(1) In section 139 of ITEPA 2003 (car with a CO₂ emissions figure: the appropriate percentage), for subsections (2) and (3) substitute—

“(2) If the car’s CO₂ emissions figure is less than the relevant threshold for the year, the appropriate percentage for the year is—

- (a) if the car’s CO₂ emissions figure for the year does not exceed 75 grams per kilometre driven, 5%, and
- (b) otherwise, 11%.

(3) If the car’s CO₂ emissions figure is equal to the relevant threshold for the year, the appropriate percentage for the year is 12% (“the threshold percentage”).”

(2) The amendment made by this section has effect for the tax year 2014-15 and subsequent tax years.

18 Qualifying time deposits

(1) In section 866 of ITA 2007 (qualifying time deposits), in subsection (1), after “deposit” insert “made before 6 April 2012”.

(2) The amendment made by this section is treated as having come into force on 6 April 2012.