



# Finance Act 2012

## 2012 CHAPTER 14

### PART 1

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER 3

#### CORPORATION TAX: GENERAL

##### *Support for business*

**19 Profits arising from the exploitation of patents etc**

Schedule 2 contains provision about the treatment for corporation tax purposes of profits arising from the exploitation of patents etc.

**20 Relief for expenditure on R&D**

Schedule 3 contains provision about corporation tax relief for expenditure on research and development.

**21 Real estate investment trusts**

Schedule 4 amends Part 12 of CTA 2010 (real estate investment trusts).

##### *Anti-avoidance*

**22 Treatment of the receipt of manufactured overseas dividends**

(1) Part 17 of CTA 2010 (manufactured payments and repos) is amended as follows.

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- (2) In section 793 (company receiving manufactured overseas dividend from UK resident etc: amount treated as withheld on account of overseas tax), after subsection (7) insert—

“(8) If, in accordance with this section, the amount mentioned in section 792(3)(b) is not the amount deducted under section 922(2) of ITA 2007, nothing in the Tax Acts is to be read as having the effect that, in relation to the persons mentioned in section 792(2) for the purposes mentioned there, the difference between those amounts is to be regarded as an amount on account of income tax.”

- (3) In section 812 (deemed manufactured payments: stock lending arrangements), after subsection (5) insert—

“(5A) Where section 792 or 794 has effect in accordance with subsection (4) or (5), nothing in the Tax Acts is to be read as having the effect that, in relation to the persons mentioned in section 792(2) or 794(2) for the purposes mentioned there, the amount that would otherwise have been treated as an amount withheld on account of overseas tax is to be regarded as an amount on account of income tax.”

- (4) The amendments made by this section have effect in relation to overseas dividends (within the meaning of Part 17 of CTA 2010) paid on or after 15 September 2011.

## **23 Loan relationships: debts becoming held by connected company**

- (1) Chapter 6 of Part 5 of CTA 2009 (loan relationships: connected companies and impairment losses and releases of debt) is amended as follows.

- (2) In section 362 (parties becoming connected where creditor’s rights subject to impairment adjustment)—

- (a) in subsection (1)—

- (i) omit paragraph (c) (impairment in pre-connection carrying value of creditor’s loan relationship), and  
(ii) omit the “and” before that paragraph and, at the end of paragraph (a), insert “and”,

- (b) for subsections (3) and (4) substitute—

“(3) The amount treated as released is the amount (if any) by which the pre-connection carrying value in D’s accounts exceeds the pre-connection carrying value in C’s accounts.

- (4) In subsection (3)—

“the pre-connection carrying value in D’s accounts” means the amount that would be the carrying value of the liability representing the loan relationship in D’s accounts if a period of account had ended immediately before C and D became connected, and

“the pre-connection carrying value in C’s accounts” means—

- (a) in any case where C was a party to the loan relationship as creditor on the last day of the period of account ending immediately before the one in which C and D became connected, the cost of the asset representing the

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- loan relationship which would be given on that day on an amortised cost basis of accounting, and
- (b) in any other case, the amount or value of any consideration given by C for the acquisition of the asset representing the loan relationship.”, and”
- (c) in subsection (5)—
- (i) in the opening words, for “the carrying value is determined taking no account of—” substitute “no account is to be taken of—”,
- (ii) at the end of paragraph (a) insert “or”, and
- (iii) omit paragraph (c) (together with the “or” before that paragraph), and
- (d) in the heading, at the end insert “etc”.
- (3) After section 363 insert—

**“363A Arrangements for avoiding section 361 or 362**

- (1) This section applies in any case where arrangements are entered into and the main purpose, or one of the main purposes, of any party in entering into them (or any part of them) is—
- (a) to avoid an amount being treated as released under section 361 or 362, or
- (b) to reduce the amount which is treated as released under section 361 or 362.
- (2) The arrangements (or part of the arrangements) are not to achieve that effect (so that an amount, or a greater amount, falls to be treated as released under section 361 or 362).
- (3) In this section “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).”
- (4) The amendments made by subsection (2) have effect as follows—
- (a) the amendments made by paragraphs (a), (b) and (d) have effect in relation to any case where the companies become connected on or after 27 February 2012, but if the companies become connected on or after that date but before 1 April 2012 section 362 of CTA 2009 has effect as if the following were substituted for subsections (3) and (4) of that section—
- “(3) The amount treated as released is whichever is the greater of the following amounts—
- (a) the amount (if any) that the pre-connection carrying value in C’s accounts would have been adjusted for impairment if a period of account had ended immediately before the companies became connected, and
- (b) the amount (if any) by which the pre-connection carrying value in D’s accounts exceeds the pre-connection carrying value in C’s accounts.
- (4) In subsection (3) “the pre-connection carrying value”, in relation to C’s accounts or D’s accounts, means the amount that would be the carrying value of the asset or liability representing the

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- loan relationship in the accounts if a period of account had ended immediately before the companies became connected.”, and”
- (b) the amendments made by paragraph (c) have effect in relation to any case where the companies become connected on or after 1 April 2012, and section 363 of CTA 2009 applies for the purposes of this subsection as it applies for the purposes of sections 361 to 362 of that Act.
- (5) The amendment made by subsection (3) has effect in relation to—
- (a) arrangements entered into on or after 27 February 2012, or
  - (b) arrangements entered into before that date where the amount is treated as released, or would have been treated as released, on or after that date.
- (6) But subsection (5)(b) does not apply if the amount is treated as released, or would have been treated as released, pursuant to an unconditional obligation in a contract made before 27 February 2012.
- (7) An “unconditional” obligation is one which may not be varied or extinguished by the exercise of a right (whether under the contract or otherwise).
- (8) The conditions in section 361(1)(a) to (c) of CTA 2009 are treated as met (and the remaining provisions of that section have effect accordingly) in any case where—
- (a) arrangements are entered into by any party at any time,
  - (b) directly or indirectly in consequence of, or otherwise in connection with, those arrangements a company (“C”) becomes a party to a loan relationship as creditor,
  - (c) the time at which C becomes a party to the loan relationship falls on or after 1 December 2011 but before 27 February 2012,
  - (d) directly or indirectly in consequence of, or otherwise in connection with, those arrangements C subsequently becomes connected with another company (“D”) which is a party to the loan relationship as debtor, and
  - (e) that subsequent time falls before 27 February 2012.
- (9) For the purposes of subsection (8)—
- (a) “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable), and
  - (b) the reference to C becoming connected with D is to be read in accordance with section 363 of CTA 2009.
- (10) Subsections (8) and (9) are to have effect as if they were contained in Part 5 of CTA 2009 (and the cases in which section 361 of CTA 2009 has effect in accordance with subsection (8) include any case where C or D is a member of a firm which becomes or is a party to the loan relationship and in that case references to C or D (other than references to the connection which C or D has with a company) are references to the firm).
- (11) For the purpose of applying section 361 of CTA 2009 in accordance with subsection (8) no account is to be taken of anything done on or after 27 February 2012.
- (12) If section 361 of CTA 2009 has effect in accordance with subsection (8), section 362 of that Act does not apply.

## 24 Companies carrying on businesses of leasing plant or machinery

- (1) CTA 2010 is amended as follows.
- (2) In section 385 (sales of lessors: no carry back of the expense)—
  - (a) for subsections (2) and (3) substitute—
    - “(2) No part of a loss may be deducted under section 37(3)(b) (relief for trade losses against total profits of earlier accounting periods) from so much of the company’s total profits as derive from the income.
    - (3) For the purpose of determining how much of those profits derive from the income, those profits are to be calculated on the basis that the income is the final amount to be added.”, and
  - (b) in the heading, for “**No carry back of the expense**” substitute “**No carry back of loss against the income**”.
- (3) In section 392 (sales of lessors: “relevant change in relationship”), at the end insert “or section 394ZA (company joining tonnage tax group)”.
- (4) After section 394 insert—

### “394ZA Company joining tonnage tax group

There is a relevant change in the relationship between A and a principal company of A on any day if—

- (a) on that day A becomes a member of a tonnage tax group for the purposes of Schedule 22 to FA 2000 without entering tonnage tax on that day, or
  - (b) the day ends immediately before the day on which, for the purposes of that Schedule, A both becomes a member of a tonnage tax group and enters tonnage tax.”
- (5) In section 394A (sales of lessors: “qualifying change of ownership”)—
    - (a) the existing text becomes subsection (1), and
    - (b) after that subsection insert—
      - “(2) If the qualifying change of ownership would (but for this subsection) occur on any day as a result of—
        - (a) section 393 or 394ZA, or
        - (b) section 394 or 394ZA,it is treated instead for the purposes of the sales of lessors Chapters as occurring on that day solely as a result of section 394ZA.”
  - (6) In section 427 (sales of lessors: no carry back of the expense)—
    - (a) for subsections (2) and (3) substitute—
      - “(2) No part of a loss may be deducted under section 37(3)(b) (relief for trade losses against total profits of earlier accounting periods) from so much of the company’s total profits as derive from the income.
      - (3) For the purpose of determining how much of those profits derive from the income, those profits are to be calculated on the basis that the income is the final amount to be added.”, and

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- (b) in the heading, for “**No carry back of the expense**” substitute “**No carry back of loss against the income**”.
- (7) In section 950 (transfers of trade without a change of ownership: transfers of trade involving business of leasing plant or machinery), after subsection (3) insert—
- “(3A) For the purposes of subsection (2)(a) the principal company or companies of the predecessor immediately before the transfer are not to be regarded as the same as the principal company or companies of the successor immediately afterwards (so far as they would otherwise have been so regarded) if—
- (a) there is a relevant change in the relationship between the successor and a principal company of the successor within section 394ZA (company joining tonnage tax group), and
  - (b) that change occurs on or before the transfer day (whether the change occurs on or after 21 March 2012 or before that date).”
- (8) In Schedule 22 to FA 2000 (tonnage tax), after paragraph 79 insert—
- “79A (1) This paragraph applies if—
- (a) a balancing charge under this Part of this Schedule arises to the company on the disposal of any plant or machinery, and
  - (b) the plant or machinery is taken into account in calculating income that the company is treated as receiving under section 383 or 417 of the Corporation Tax Act 2010 (sales of lessors) as a result of section 394ZA of that Act (company joining tonnage tax group).
- (2) The balancing charge is to be reduced by the relevant part of the sales of lessors expense so far as relief has not previously been given for that expense (whether under this sub-paragraph or otherwise).
- (3) “The sales of lessors expense” means—
- (a) the expense which the company is treated as incurring under section 383 or 417 of the Corporation Tax Act 2010 as a result of section 394ZA of that Act, or
  - (b) if section 386 or 419 of that Act applies or has applied, the expense which derives from the expense within paragraph (a).
- (4) If the sales of lessors expense is incurred at a time when the company is in tonnage tax, the “relevant part” of that expense is so much of it as, on a just and reasonable basis, is attributable to the matters set out in paragraph 56(1)(a) or (b).
- (5) If—
- (a) the sales of lessors expense is not incurred at a time when the company is in tonnage tax,
  - (b) that expense is taken into account in calculating a loss made by the company in a trade, and
  - (c) the loss is one to which paragraph 56 applies,
- the “relevant part” of the sales of lessors expense is so much of the apportioned loss as, on a just and reasonable basis, is derived from the sales of lessors expense.
- (6) The reference here to the apportioned loss is to the loss that is attributable to the matters set out in paragraph 56(1)(a) or (b).”

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- (9) The amendments made by subsections (2) and (6) have effect—
- (a) where the income arises as a result of a company becoming a member of a tonnage tax group on or after 21 March 2012 and entering tonnage tax at the same time,
  - (b) where the income arises as a result of a company becoming a member of a tonnage tax group on or after 23 April 2012 without entering tonnage tax at the same time, or
  - (c) where the relevant day is on or after 21 March 2012 (in any case not within paragraph (a) or (b)).
- (10) The amendments made by subsections (3) to (5) and (8) have effect—
- (a) where a company becomes a member of a tonnage tax group on or after 21 March 2012 and enters tonnage tax at the same time, or
  - (b) where a company becomes a member of a tonnage tax group on or after 23 April 2012 without entering tonnage tax at the same time.
- (11) The amendment made by subsection (7) has effect—
- (a) except in a case within paragraph (b), where the transfer day is on or after 21 March 2012, and
  - (b) in a case where the relevant change in the relationship occurs as a result of a company becoming a member of a tonnage tax group without entering tonnage tax at the same time, where the transfer day is on or after 23 April 2012.

### *Insurance*

## **25 Corporate members of Lloyd's: stop-loss insurance and quota share contracts**

- (1) In section 225 of FA 1994 (corporate members of Lloyd's: stop-loss and quota share insurance), after subsection (3B) insert—
- “(3C) Subsection (3D) applies to any premium which is payable by a corporate member under a stop-loss insurance taken out in respect of its underwriting business and in relation to which section 220(2)(a) does not apply.
- (3D) The premium is to be treated for the purposes of the Corporation Tax Acts—
- (a) as an amount that arises to the member directly from its membership of the syndicate or syndicates in relation to the activities of which the stop-loss insurance was taken out, and
  - (b) as if it were payable in the underwriting year in which the profits or losses arising to the member directly from its membership of the syndicate or syndicates concerned are declared.
- (3E) If a premium is payable under a stop-loss insurance in respect of two or more underwriting years, the amount of the premium treated, as a result of subsection (3D)(b), as payable in each of those years is to be determined on a just and reasonable basis.
- (3F) If—
- (a) a corporate member enters into a quota share contract, and
  - (b) the main purpose, or one of the main purposes, of entering into it was to secure that amounts payable by the member under the contract were not dealt with on the basis set out in subsection (3G),

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the contract is treated for the purposes of subsections (3C) to (3E) as if it were a stop-loss insurance (and, accordingly, the amounts payable under it are treated for those purposes as premiums).

(3G) Amounts are dealt with on the basis set out in this subsection if they are treated as payable in the underwriting year in which the profits or losses arising to a corporate member directly from its membership of one or more syndicates are declared.”

- (2) The amendment made by this section has effect in relation to—
- (a) any stop-loss insurance (as defined by section 230(1) of FA 1994) taken out on or after 6 December 2011, or
  - (b) any quota share contract (as defined by section 225(4) of FA 1994) entered into on or after that date.
- (3) If before 6 December 2011 a corporate member enters into a multi-year contract—
- (a) insurance is to be regarded for the purposes of subsection (2)(a) as taken out on the anniversary date of the contract which falls on or after the day on which this Act is passed, and
  - (b) premiums payable under the insurance in respect of an underwriting year beginning on or after that day are premiums falling to be dealt with in accordance with the amendment made by this section.
- (4) For this purpose—
- “multi-year contract” means a contract which (unless cancelled) operates in respect of successive underwriting years, and
- “the anniversary date of the contract” means the date which is the anniversary of the date on which the contract was entered into.
- (5) If—
- (a) before 6 December 2011 a corporate member enters into a contract for insurance in respect of an underwriting year, and
  - (b) on or after 6 December 2011 the contract is renewed in respect of a further underwriting year (whether as a result of the exercise of an option conferred by the contract or otherwise),
- insurance is to be regarded for the purposes of subsection (2)(a) as taken out on the date of the renewal.

## **26 Abolition of relief for equalisation reserves: general insurers**

- (1) Sections 444BA to 444BD of ICTA (equalisation reserves) are repealed.
- (2) In consequence of the repeal of those sections, omit—
  - (a) in TMA 1970, in the second column of the table in section 98, the entry relating to regulations under section 444BB of ICTA and the entry relating to regulations under section 444BD of ICTA,
  - (b) in FA 1996, section 166 and Schedule 32,
  - (c) in FA 2003, in section 153(1)(a), the reference “444BB(3)(b),”,
  - (d) in CTA 2009, paragraphs 155 and 156 of Schedule 1, and
  - (e) in TIOPA 2010, paragraph 9 of Schedule 8.

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- (3) The amendments made by this section have effect in relation to accounting periods ending on or after such day (“the specified day”) as is specified in an order made by the Treasury (and different days may be specified for different cases).
- (4) In the case of an insurance company’s existing equalisation or equivalent reserve—
  - (a) an amount equal to one-sixth of the amount of the reserve is to be treated as a receipt of the company’s business in the calendar year in which the specified day falls, and
  - (b) an amount equal to one-sixth of the amount of the reserve is to be treated as a receipt of the company’s business in each of the next five calendar years.
- (5) If there are different accounting periods falling in a calendar year, a receipt arising as a result of subsection (4) is apportioned between those periods in proportion to the number of days of the calendar year falling in those periods.
- (6) If—
  - (a) the company ceases to carry on the business in a calendar year, and
  - (b) an amount would otherwise have been treated as a result of subsection (4) as a receipt of the company’s business in a later calendar year,any amount within paragraph (b) is treated instead as a receipt of the company’s business in the accounting period in which the company ceased to carry on the business.
- (7) For the purposes of this section—
  - (a) “equalisation reserve”, in relation to an insurance company, means the equalisation reserve in respect of a business which the company was required, by virtue of equalisation reserves rules (within the meaning of section 444BA of ICTA), to maintain,
  - (b) “equivalent reserve” means an equivalent reserve (within the meaning of section 444BD of ICTA) in relation to which section 444BA of ICTA applied,
  - (c) a company’s “existing” equalisation or equivalent reserve means the equalisation or equivalent reserve as it stood immediately before the first accounting period of the company (“the relevant accounting period”) in relation to which the amendments made by this section have effect (but see subsection (8)), and
  - (d) references in this section to the company’s business are to the business in respect of which the equalisation or equivalent reserve was maintained.
- (8) If—
  - (a) an insurance company has made an election under section 444BA(4) of ICTA in relation to an accounting period ending before the specified day, and
  - (b) an amount would, but for this section, have been carried forward to the relevant accounting period of the company as a deductible amount,that amount is not to be carried forward to that period as a deductible amount but is instead to be deducted from the amount of the equalisation or equivalent reserve as it stood immediately before that period.
- (9) References in this section to section 444BA of ICTA include that section as modified by regulations made under section 444BB or 444BC of that Act.

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## 27 Election to accelerate receipts under s.26(4)

- (1) An insurance company may make an election in relation to a calendar year (“the relevant year”) for all of the amounts that would, as a result of section 26(4), otherwise be treated as arising in later calendar years as receipts of a business carried on by the company to be treated instead as receipts of the business arising in the relevant year.
- (2) An election under this section—
  - (a) must be made by notice to an officer of Revenue and Customs within 2 years from the end of the relevant year, and
  - (b) is irrevocable.
- (3) A company which makes an election under section 29 as the transferor or the transferee may make an election under this section but not in relation to the calendar year in which the transfer takes place.

## 28 Deemed receipts under s.26(4): double taxation relief

- (1) This section applies if—
  - (a) a receipt is treated as arising to an insurance company’s business in an accounting period as a result of section 26(4),
  - (b) the company carries on business through a permanent establishment outside the United Kingdom by reference to which double taxation relief is afforded in respect of any income or gains, and
  - (c) the permanent establishment is one in relation to which regulation 10(2) of the Insurance Companies (Reserves) (Tax) Regulations 1996 previously applied.
- (2) For the purpose of calculating the profits or losses by reference to which double taxation relief is afforded for the accounting period, only the appropriate proportion (if any) of the receipt is to be taken into account.
- (3) The appropriate proportion of the receipt is—
  - (a) equal to the mean of each proportion found for each relevant period (if any), or
  - (b) equal to such other proportion as the company may determine on a just and reasonable basis.
- (4) For the purposes of subsection (3)(a) a proportion for a relevant period is the proportion which the PE’s premium income for the period bears to the company’s premium income for the period.
- (5) For the purposes of subsections (3)(a) and (4)—
 

“the company’s premium income”, in relation to a relevant period, means the amount of net premiums written by reference to which the calculation under section 444BA(2)(a) or (b) of ICTA was made for the period,

“the PE’s premium income”, in relation to a relevant period, means so much of the company’s premium income for the period as is attributable to the permanent establishment, and

a “relevant period” means an accounting period of the company in relation to which each of the following conditions is met—

  - (a) section 444BA of ICTA has applied in relation to the accounting period,
  - (b) the business mentioned in subsection (1)(a) has been carried on through the permanent establishment in the accounting period, and

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- (c) the accounting period is the company's last accounting period in relation to which section 444BA of ICTA applied or is one that falls wholly or partly in the period of six years ending with the day on which that last accounting period ended.
- (6) In subsection (5)—
- (a) “net premiums written” means gross premiums written net of reinsurance premiums payable under reinsurance ceded, and
  - (b) references to section 444BA of ICTA include that section as modified by regulations made under that Act.

## **29 Transfer of whole or part of the business**

- (1) If—
- (a) an insurance company carries on a business,
  - (b) amounts fall to be treated as receipts of the business as a result of section 26(4) (“deemed receipts”), and
  - (c) under an insurance business transfer scheme there is a transfer of the whole or part of the business to another insurance company within the charge to corporation tax,
- the transferor and the transferee may jointly make an election for those deemed receipts to be allocated between them in accordance with the following provisions.
- (2) If the transfer is a transfer of the whole of the business or substantially the whole of the business—
- (a) section 26(6) does not apply in relation to the transferor (if it would otherwise have applied),
  - (b) the deemed receipt which, on the assumption that there had been no transfer, would have arisen in the transfer year is apportioned between the transferor and the transferee in accordance with subsection (5), and
  - (c) the remaining deemed receipts (if any) which, on that assumption, would have arisen in subsequent calendar years are treated as receipts of the transferee (and not as receipts of the transferor).
- (3) If the transfer is a transfer of a part of the business and subsection (2) does not apply—
- (a) the appropriate portion of the deemed receipt arising in the transfer year is apportioned between the transferor and the transferee in accordance with subsection (5), and
  - (b) the appropriate portions of the remaining deemed receipts (if any) are treated as receipts of the transferee (and the receipts of the transferor are reduced accordingly).
- (4) The appropriate portion of a deemed receipt is to be determined on a just and reasonable basis.
- (5) An apportionment under subsection (2)(b) or (3)(a) is to be made in proportion to the number of days of the calendar year falling before the day of the transfer and the number of days of the calendar year falling on or after the day of transfer.
- (6) A deemed receipt which is treated as a receipt of the transferee as a result of this section is treated as a receipt of the business of the transferee which consists of or includes the transferred business, and, accordingly, section 26(4) and (6) have effect in relation to the transferee—

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- (a) as if references to the company were references to the transferee, and
  - (b) as if references to the business were references to the business of the transferee which consists of or includes the transferred business.
- (7) An election under this section—
- (a) must be made by notice to an officer of Revenue and Customs within 28 days from the end of the day on which the transfer takes place,
  - (b) must be accompanied by an explanation as to the way in which the transferor and the transferee have determined any issue falling to be determined for the purposes of this section, and
  - (c) is irrevocable.
- (8) In this section—
- “the transferred business” means so much of the business as is transferred to the transferee, and
  - “the transfer year” means the calendar year in which the transfer takes place.
- (9) If a company makes an election under this section as the transferee, this section has effect for the purposes of any subsequent elections made by the company under this section as the transferor as if references to the business were references to the activities in respect of which deemed receipts are treated as arising to it.

### **30 Abolition of relief for equalisation reserves: Lloyd’s corporate members etc**

- (1) Regulations made by the Treasury under section 47 of FA 2009 (equalisation reserves for Lloyd’s corporate and partnership members) that revoke previous regulations made under that section may include provision corresponding to the provision made by sections 26(4) to (8) and 27, subject to such modifications as may be made in the regulations.
- (2) Section 47 of FA 2009 is repealed.
- (3) That repeal has effect in relation to accounting periods ending on or after such day (“the specified day”) as is specified in an order made by the Treasury (and different days may be specified for different cases).
- (4) Subsections (2) and (3) are not to affect the operation of any transitional or saving provision included (whether as a result of this section or otherwise) in regulations made under section 47 of FA 2009 that revoke previous regulations made under that section so far as the provision remains capable of having effect in relation to times falling on or after the specified day.

#### *Miscellaneous*

### **31 Tax treatment of financing costs and income**

Schedule 5 contains provision about the tax treatment of financing costs and income.

### **32 Group relief: meaning of “normal commercial loan”**

- (1) CTA 2010 is amended as follows.

- (2) In section 162(2)(c) (meaning of “normal commercial loan”), after “securities in” insert “a quoted unconnected company (see section 164(2A)) or in”.
- (3) In section 164 (sections 160 and 162: supplementary), in subsection (2)(c), after “securities in” insert “a quoted unconnected company (see subsection (2A)) or in”.
- (4) After subsection (2) of that section insert—
  - “(2A) For the purposes of this section and section 162 a company is a quoted unconnected company if (and only if)—
    - (a) its ordinary shares are listed on a recognised stock exchange, and
    - (b) it is not connected with the relevant company.”
- (5) In subsection (4) of that section—
  - (a) for “If the candidate company’s” substitute “In the case of a company whose”, and
  - (b) for “subsection (3)(c) is” substitute “subsections (2A)(a) and (3)(c) are”.
- (6) In subsection (5) of that section, for “subsections (3) and (4)” substitute “this section”.
- (7) The amendments made by this section have effect in relation to loans made on or after 21 March 2012.

### **33 Company distributions**

- (1) Part 23 of CTA 2010 (company distributions) is amended as follows.
- (2) Section 1002 (exceptions for certain transfers of assets or liabilities between a company and its members) is repealed.
- (3) In section 1020 (transfers of assets or liabilities treated as distributions)—
  - (a) in subsection (2), omit from “But” to the end, and
  - (b) after that subsection insert—
    - “(2A) But the company is not treated as making a distribution under subsection (2) if the transfer of assets or liabilities—
      - (a) is a distribution by virtue of paragraph B in section 1000(1), or
      - (b) would be such a distribution in the absence of subparagraph (a) of that paragraph (distribution representing repayment of capital on the shares).”
- (4) Section 1021 (transfers of assets or liabilities treated as distributions: exceptions) is repealed.
- (5) In consequence of the repeal made by subsection (2)—
  - (a) omit section 194(2) of CTA 2010,
  - (b) in section 998(3) of that Act, for “1002” substitute “1003”,
  - (c) in section 1001 of that Act, in the third column of the table, omit “Section 1002 (exception for certain transfers of assets and liabilities)”, and
  - (d) omit paragraph 1(2) of Schedule 3 to F(No.3)A 2010.
- (6) The amendments made by this section have effect in relation to distributions made on or after the day on which this Act is passed.