Finance Act 2014

2014 CHAPTER 26

PART 6

OTHER PROVISIONS

Anti-avoidance

284 Disclosure of tax avoidance schemes: information powers

(1) Part 7 of FA 2004 (disclosure of tax avoidance schemes) is amended as set out in subsections (2) to (4).

(2) After section 310 insert—

"**310A Duty to provide further information requested by HMRC**

(1) This section applies where—

(a) a person has provided the prescribed information about notifiable proposals or arrangements in compliance with section 308, 309 or 310, or

(b) a person has provided information in purported compliance with section 309 or 310 but HMRC believe that the person has not provided all the prescribed information.

(2) HMRC may require the person to provide—

(a) further specified information about the notifiable proposals or arrangements (in addition to the prescribed information under section 308, 309 or 310);

(b) documents relating to the notifiable proposals or arrangements.

(3) Where HMRC impose a requirement on a person under this section, the person must comply with the requirement within—

(a) the period of 10 working days beginning with the day on which HMRC imposed the requirement, or

(b) such longer period as HMRC may direct.

310B Failure to provide information under section 310A: application to the Tribunal

(1) This section applies where HMRC—

(a) have required a person to provide information or documents under section 310A, but

(b) believe that the person has failed to provide the information or documents required.

(2) HMRC may apply to the tribunal for an order requiring the person to provide the information or documents required.

(3) The tribunal may make an order under subsection (2) only if satisfied that HMRC have reasonable grounds for suspecting that the information or documents will assist HMRC in considering the notifiable proposals or arrangements.

(4) Where the tribunal makes an order under subsection (2), the person must comply with it within—

(a) the period of 10 working days beginning with the day on which the tribunal made the order, or

(b) such longer period as HMRC may direct."

(3) In section 316(2) (meaning of the "information provisions"), after "310," insert "310A,".

(4) In section 318(1) (interpretation of Part 7), at the end insert—

""working day" means a day which is not a Saturday or a Sunday, Christmas Day, Good Friday or a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom."

(5) Section 98C of TMA 1970 (notification under Part 7 of FA 2004) is amended as set out in subsections (6) to (10).

(6) In subsection (1)(a)(i), for "or (c)" substitute ", (c) or (ca)".

(7) In subsection (2), after paragraph (c) insert—

"(ca) section 310A (duty to provide further information requested by HMRC),".

(8) In subsection (2ZA), at the end of the table add—

"A failure to comply with section 310A	The first day after the end of the period within which the person must comply with section 310A."

(9) In subsection (2ZB)—

(a) in paragraph (a)—

(i) for "person's" substitute "promoter's";

(ii) after "(3)" insert "or section 310A";

(iii) for "person" substitute "promoter";

(b) in paragraph (b)—

(i) before "person's" insert "relevant";

(ii) for "or 310" substitute ", 310 or 310A";

(iii) before "person" insert "relevant".

(10) After subsection (2ZB) insert—

"(2ZBA) In subsection (2ZB)—

(a) "promoter" has the same meaning as in Part 7 of the Finance Act 2004, and

(b) "relevant person" means a person who enters into any transaction forming part of notifiable arrangements within the meaning of that Part."

(11) Section 310A of FA 2004 applies to a person who provides the prescribed information about notifiable proposals or arrangements in compliance or purported compliance with section 308, 309 or 310 on or after the day on which this Act is passed.

Code of Practice on Taxation for Banks

285 The Code of Practice on Taxation for Banks: HMRC to publish reports

(1) No later than the end of the calendar year in which a reporting period ends, the Commissioners for Her Majesty's Revenue and Customs must publish a report on the operation during the period of the Code of Practice on Taxation for Banks as published by the Commissioners on 31 May 2013 ("the Code").

(2) If the Commissioners determine that a group or entity which was a participating group or entity (see section 286) during some or all of a reporting period breached the Code at a time during the period, the Commissioners may name the group or entity in a report under this section.

This subsection is subject to section 287.

(3) If—

(a) the Commissioners determine that there has been a breach of the Code, but

(b) it was not reasonably practicable for information relating to the breach to be included in the report for the reporting period in which the breach occurred,

the information may be included in the first subsequent report in which it is reasonably practicable for the information to be included.

(4) The report for a reporting period must list—

(a) the groups or entities which were participating groups or entities during some or all of the reporting period,

(b) the groups or entities appearing to the Commissioners—

(i) not to be covered by paragraph (a), and

(ii) to be groups or entities in relation to which the bank levy is charged in a case where the chargeable period ends in the reporting period (or would be charged in such a case if it is assumed that any period of account beginning before or in, but ending after, the reporting period ends at the end of the reporting period instead), and

(c) the entities appearing to the Commissioners—

(i) not to be covered by paragraph (a) or (b), and

(ii) to be entities which fell within subsection (2)(b) or (c) of section 991 of ITA 2007 (subject to subsection (3) of that section) during some or all of the reporting period.

(5) In a case where the bank levy is (or would be) charged in relation to a relevant non-banking group (as defined in paragraph 11 of Schedule 19 to FA 2011), any list prepared under subsection (4)(b) is to refer to the group only so far as it consists (or would consist) of—

(a) relevant UK banking sub-groups (as defined in paragraph 19(5) of that Schedule), and

(b) so far as not covered by paragraph (a)—

(i) UK resident banks (as defined in paragraph 80 of that Schedule), and

(ii) relevant foreign banks (as defined in paragraph 78 of that Schedule).

(6) For the purposes of subsection (4)(b)(ii) it does not matter if the amount of the bank levy is (or would be) nil in the case of a group or entity.

(7) The first "reporting period" is the period beginning with 5 December 2013 and ending with 31 March 2015.

(8) After that, each year beginning with 1 April is a "reporting period".

(9) The report for the first reporting period must list the groups or entities which were participating groups or entities on 5 December 2013.

(10) Subsection (9) does not require the inclusion in the report of any information which has previously been published by the Commissioners, so long as the report makes reference to the previous publication.

(11) If, on or after 31 May 2013, the Commissioners publish a document which states that only Part 1 of the Code is to apply in the case of a group or entity of a specified description, in the case of such a group or entity references to the Code are to be read as references to Part 1 of the Code.

286 The Code of Practice on Taxation for Banks: "participating" groups or entities

(1) This section applies for the purposes of section 285.

(2) A group or entity becomes a "participating" group or entity if, on or after 31 May 2013, it notifies the Commissioners in writing that it is unconditionally committed to complying with the Code.

(3) A group or entity ceases to be a "participating" group or entity if it notifies the Commissioners in writing that it is no longer unconditionally committed to complying with the Code.

(4) A group or entity which ceases to be a "participating" group or entity in accordance with subsection (3) becomes a "participating" group or entity again if it gives a further written notice of the kind mentioned in subsection (2) (subject to what follows).

(5) Subsections (6) and (7) apply if a group or entity is named in a report under section 285 under subsection (2) of that section.

(6) If the group or entity is a "participating" group or entity immediately before the publication of the report, it ceases to be so on the publication of the report.

(7) In any case, the group or entity cannot be a "participating" group or entity after the publication of the report unless and until—

(a) it gives the Commissioners a further written notice of the kind mentioned in subsection (2), and

(b) the Commissioners are satisfied that it is unconditionally committed to complying with the Code.

287 The Code of Practice on Taxation for Banks: operation & breaches of the Code

(1) The Commissioners must—

(a) publish a protocol, to be called "the Governance Protocol", setting out how the Commissioners are going to operate the Code and section 285(2), and

(b) follow the Governance Protocol when operating the Code and section 285(2).

(2) The Governance Protocol must require the Commissioners, before determining for the purposes of section 285(2) whether a group or entity has breached the Code at a time during a reporting period, to commission a person (an "independent reviewer") who is independent of the Commissioners and the group or entity to report on—

(a) whether the group or entity has breached the Code, and

(b) whether the group or entity should be named in a report under section 285 were the Commissioners to determine that the group or entity has breached the Code.

(3) The independent reviewer—

(a) must give the group or entity a reasonable opportunity to make representations about the matters being considered by the independent reviewer,

(b) subject to subsection (8), must have regard to the group or entity's representations and may have regard to any other matter which the independent reviewer considers to be relevant,

(c) must give the group or entity a copy of the independent reviewer's report, and

(d) must otherwise follow the Governance Protocol but only so far as it is relevant to the independent reviewer's functions.

(4) The Governance Protocol may provide that, in the case of any conduct of a group or entity to which subsection (5) applies, the independent reviewer is to assume that the conduct constitutes a breach of the Code and, accordingly, is to report only on the matter mentioned in subsection (2)(b).

(5) This subsection applies to any conduct—

(a) in relation to which there has been given—

(i) an opinion notice under paragraph 11(3)(b) of Schedule 43 to FA 2013 (GAAR advisory panel: opinion that conduct unreasonable) stating the joint opinion of all the members of a sub-panel arranged under paragraph 10 of that Schedule, or

(ii) one or more such notices stating the opinions of at least two members of such a sub-panel, and

(b) in relation to which there has been given a notice under paragraph 12 of that Schedule (HMRC final decision on tax advantage) stating that a tax advantage is to be counteracted.

(6) The Governance Protocol must make provision—

(a) for the Commissioners, in determining whether a group or entity has breached the Code or should be named in a report under section 285—

(i) to have regard to the independent reviewer's report, and

(ii) to give the group or entity a reasonable opportunity to make representations about the matters being considered by the Commissioners,

(b) for the Commissioners to notify the group or entity in writing of their determination,

(c) if the Commissioners' determination is different from the independent reviewer's determination, for the Commissioners to include in the notification of their determination to the group or entity their reasons for making a different determination, and

(d) if the Commissioners determine that the group or entity should be named in a report under section 285, for the Commissioners to hold off including in a report under that section any information relating to the breach of the Code—

(i) until the notification of the determination is given to the group or entity, and

(ii) for at least 90 days after the day on which that notification is given.

(7) The Governance Protocol must make provision for the independent reviewer and the Commissioners, in determining whether a group or entity should be named in a report under section 285, to have regard to—

(a) any action taken by the group or entity to remedy the breach of the Code or otherwise to mitigate its effect, and

(b) any exceptional circumstances which might justify not naming the group or entity.

(8) In determining whether a group or entity has breached the Code or should be named in a report under section 285, the independent reviewer and the Commissioners—

(a) may have regard to any conduct of the group or entity occurring on or after 5 December 2013, but

(b) must not have regard to any conduct of the group or entity occurring before that date or at a time when the group or entity is not a participating group or entity.

(9) Subsection (10) applies if the independent reviewer determines—

(a) that a group or entity has not breached the Code, or

(b) that a group or entity should not be named in a report under section 285.

(10) The Commissioners may make a determination which is different from the independent reviewer's determination only if—

(a) the independent reviewer's determination is flawed when considered in the light of the principles applicable in proceedings for judicial review, or

(b) there are other compelling reasons for making a different determination.

(11) If the Commissioners make a different determination in a case where subsection (10) applies—

(a) their reasons notified under subsection (6)(c) must set out (in particular) why the independent reviewer's determination is flawed or (as the case may be) the other compelling reasons,

(b) in any proceedings in which an issue arises as to whether it was lawful for them to make the different determination it is for them to show that it was lawful for them to make the different determination, and

(c) subsection (12) applies in relation to any proceedings for judicial review of the different determination instituted by a member of the group or by the entity.

(12) If the proceedings are instituted no later than the end of the 90 day period mentioned in subsection (6)(d)(ii)—

(a) they are to be treated as having been instituted within any applicable time limit (if that would not otherwise be the case),

(b) the court must give permission or leave for the proceedings to proceed (if the court's permission or leave is required), unless that would lead to multiple proceedings dealing with the same issues, and

(c) any hearing (including any hearing on appeal) must be held in private, unless (having regard to the risk that holding the hearing in public might undermine to any extent the purpose of the instituting of the proceedings) the court is satisfied that there are exceptional circumstances requiring the hearing to be held in public.

(13) If a determination of the Commissioners is different from the independent reviewer's determination, they must mention that fact—

(a) in the report under section 285 for the reporting period in question, or

(b) if it was not reasonably practicable for that fact to be mentioned in that report, in the first subsequent report under section 285 in which it is reasonably practicable for that fact to be mentioned.

(14) In determining for the purposes of section 285(3) or subsection (13)(b) of this section when it is reasonably practicable for any information to be included in a report under section 285, regard must be had (in particular) to the requirements of subsections (1) to (12) of this section.

(15) The Commissioners must disclose to an independent reviewer such information held by them as they consider appropriate to enable the independent reviewer to carry out the independent reviewer's functions.

(16) If the Commissioners disclose information to an independent reviewer under subsection (15), section 18 of CRCA 2005 (confidentiality) applies in relation to the independent reviewer's holding and use of the information as if the independent reviewer were an officer of Revenue and Customs and the independent reviewer's functions were functions of the independent reviewer as such an officer.

288 The Code of Practice on Taxation for Banks: documents relating to the Code

(1) The Commissioners may publish a relevant document, or revoke or modify a relevant document previously published by them, only after—

(a) consultation with such persons as they consider appropriate, and

(b) consideration of any representations made to them in the course of the consultation.

(2) When publishing a relevant document or a modified relevant document or when revoking a relevant document, the Commissioners must also publish—

(a) an account of the representations mentioned in subsection (1)(b), and

(b) their responses to those representations.

(3) In this section "relevant document" means—

(a) the Governance Protocol, or

(b) any document of the kind mentioned in section 285(11).

(4) This section does not apply in relation to the first publication of the Governance Protocol.

(5) This section does not affect any document of the kind mentioned in section 285(11) published before the passing of this Act except where it is to be revoked or modified after the passing of this Act.

Offshore funds

289 Undertakings for collective investment in transferable securities and alternative investment funds

(1) Section 363A of TIOPA 2010 (residence of offshore funds which are undertakings for collective investment in transferable securities) is amended as follows.

(2) For subsections (1) and (2) substitute—

"(1) This section applies to—

(a) a UCITS which is authorised in a foreign country or territory pursuant to Article 5 of the UCITS Directive, and

(b) an AIF which is authorised or registered in a foreign country or territory, or is not authorised or registered but has its registered office in a foreign country or territory,

unless the UCITS or AIF is an excluded entity.

(2) If the UCITS or AIF is a body corporate which (apart from this section) would be treated as resident in the United Kingdom for the purposes of any enactment (within the meaning of section 354) relating to income tax, corporation tax or capital gains tax, the body corporate is instead to be treated as if it were not resident in the United Kingdom.

(2A) A UCITS or AIF is "an excluded entity" if it—

(a) is a unit trust scheme the trustees of which are UK resident,

(b) is resident in the United Kingdom by virtue of section 14 of CTA 2009,

(c) is, or has been, an investment trust with respect to an accounting period, or

(d) is or has been—

(i) a company UK REIT in relation to an accounting period, or

(ii) a member of a group of companies at a time when the group is or was a group UK REIT in relation to an accounting period.

(2B) The Treasury may, by regulations, modify this section so as to—

(a) add a description of UCITS or AIF as an excluded entity,

(b) provide that a description of UCITS or AIF is no longer an excluded entity, or

(c) vary a description of an excluded entity."

(3) In subsection (3), for "offshore fund" substitute "UCITS or AIF".

(4) In subsection (4), for the words after "section" substitute "—

AIF" has the meaning given in regulation 3 of the Alternative Investment Fund Managers Regulations 2013,

"foreign country or territory" means a country or territory outside the United Kingdom,

"investment trust with respect to an accounting period" is to be construed in accordance with section 1158 of CTA 2010,

"UCITS" means an undertaking for collective investment in transferable securities,

"the UCITS Directive" means Directive 2009/65/EC of the European Parliament and of the Council,

"company UK REIT in relation to an accounting period" and "group UK REIT in relation to an accounting period" are to be construed in accordance with section 527 of CTA 2010."

(5) Accordingly, in TIOPA 2010—

(a) in section 1 (overview of Act), in subsection (1)(e) after "funds" insert "etc",

(b) in the heading for Part 8, after "FUNDS" insert "ETC", and

(c) for the heading of section 363A substitute "**Residence of undertakings for collective investment in transferable securities and alternative investment funds**".

(6) The amendments made by this section are treated as having come into force on 5 December 2013.

Employee-ownership trusts

290 Companies owned by employee-ownership trusts

Schedule 37 contains provision about tax reliefs in connection with companies owned by employee-ownership trusts.

Trusts

291 Trusts with vulnerable beneficiary: meaning of "disabled person"

(1) Schedule 1A to FA 2005 (meaning of "disabled person") is amended as follows.

(2) In paragraph 1—

(a) for paragraph (c) substitute—

"(c) a person in receipt of a disability living allowance by virtue of entitlement to—

(i) the care component at the highest or middle rate, or

(ii) the mobility component at the higher rate,", and"

(b) in paragraph (d), omit "by virtue of entitlement to the daily living component".

(3) In paragraph 3, after "rate" insert ", or to the mobility component at the higher rate,".

(4) In paragraph 4, omit "by virtue of entitlement to the daily living component".

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

(a) for the purposes of sections 89, 89A and 89B of IHTA 1984, in relation to property transferred into settlement on or after 6 April 2014, and

(b) for all other purposes, for the tax year 2014-15 and subsequent tax years.

International matters

292 Amounts allowed by way of double taxation relief

(1) TIOPA 2010 is amended as follows.

(2) For section 34(1)(b) (reduction in credit: payment by reference to foreign tax) substitute—

"(b) a tax authority makes a payment by reference to that tax, and that payment—

(i) is made to P or a person connected with P, or

(ii) is made to some other person directly or indirectly in consequence of a scheme that has been entered into."

(3) In section 34, after subsection (3) insert—

"(4) In subsection (1)(b)(ii) "scheme" includes any scheme, arrangement or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions."

(4) For section 112(3)(b) (deduction from income for foreign tax (instead of credit against UK tax)) substitute—

"(b) a tax authority makes a payment by reference to that tax, and that payment—

(i) is made to P or a person connected with P, or

(ii) is made to some other person directly or indirectly in consequence of a scheme that has been entered into,".

(5) In section 112, after subsection (7) insert—

"(8) In subsection (3)(b)(ii) "scheme" includes any scheme, arrangement or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions."

(6) In section 42(4) (provisions relating to the limit imposed by section 42(2) on credit against corporation tax) for the "and" after "(as defined in section 44)," substitute—

"section 49B, which requires subsection (2) to be applied separately to certain non-trading credits, and".

(7) After section 49A insert—

"**49B Applying section 42(2) to non-trading credits from loan relationships etc**

(1) Subsection (2) applies for the purposes of section 42(2) if—

(a) the company has a non-trading credit relating to an item, and

(b) there is in respect of that item an amount of foreign tax for which, under the arrangements, credit is allowable against United Kingdom tax.

(2) Credit for the foreign tax in respect of that item must not exceed—

$$R \times (NTC - D)$$

where—

R has the same meaning as in section 42(2),

NTC is the amount of the non-trading credit, and

D is the amount given by subsection (3).

(3) D in the formula in subsection (2) is calculated as follows—

Step 1

Calculate the total amount ("TNTD") of the non-trading debits which are to be brought into account by the company—

(a) in the same accounting period, and

(b) in respect of the same loan relationship, derivative contract or intangible fixed asset,

as the non-trading credit.

Step 2

Calculate the total ("A") of the amounts which, as amount D, have already been deducted under subsection (2) from other non-trading credits which are to be brought into account in the same period and in respect of the same relationship, contract or asset.

Step 3

Calculate the amount given by—

$$TNTD - A$$

Step 4

If the amount calculated at step 3 is greater than or equal to NTC, then D equals NTC.

Otherwise, D is the amount calculated at step 3.

(4) In this section—

"intangible fixed asset" has the same meaning as in Part 8 of CTA 2009,

"non-trading credit" means—

(a) a non-trading credit for the purposes of Part 5 of CTA 2009 (which is about loan relationships but also has application in relation to deemed loan relationships and derivative contracts), or

(b) a non-trading credit for the purposes of Part 8 of CTA 2009 (intangible fixed assets), and

"non-trading debit" means—

(a) a non-trading debit for the purposes of Part 5 of CTA 2009, or

(b) a non-trading debit for the purposes of Part 8 of CTA 2009."

(8) The amendments made by subsections (2), (3), (4) and (5) have effect in relation to payments made by a tax authority on or after 5 December 2013.

(9) The amendments made by subsections (6) and (7) have effect in relation to accounting periods beginning on or after 5 December 2013.

(10) For the purposes of subsection (9), an accounting period beginning before, and ending on or after, 5 December 2013 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.

293 Controlled foreign companies: qualifying loan relationships (1)

(1) In Chapter 9 of Part 9A of TIOPA 2010 (controlled foreign companies: qualifying loan relationships) in section 371IH (exclusions from definition of "qualifying loan relationship") after subsection (9) insert—

"(9A) Subsection (9B) applies to a creditor relationship of a CFC if—

(a) a creditor relationship ("the UK creditor relationship") of a UK connected company is made where the debtor is a non-UK resident company connected with the UK connected company,

(b) subsequently, an arrangement ("the relevant arrangement") is made directly or indirectly in connection with the UK creditor relationship, and

(c) the main purpose, or one of the main purposes, of the relevant arrangement is to secure that—

(i) the relevant UK credits of a UK connected company for a corporation tax accounting period of the company are lower than they would be if the relevant arrangement had not been made, or

(ii) the relevant UK debits of a UK connected company for a corporation tax accounting period of the company are greater than they would be if the relevant arrangement had not been made.

(9B) The CFC's creditor relationship cannot be a qualifying loan relationship if it is, or is connected (directly or indirectly) to, the relevant arrangement.

(9C) Subsection (9D) applies for the purposes of subsection (9A)(c)(i) and (ii) in determining what the relevant UK credits or debits of a UK connected company for a corporation tax accounting period would be if the relevant arrangement had not been made.

(9D) Assume that, at all times after the relevant time, the UK creditor relationship remains in place on the same terms as it had at the relevant time.

(9E) In subsections (9A) to (9D)—

"corporation tax accounting period" means an accounting period for corporation tax purposes,

"the relevant time" means the time immediately before—

(a) the time when the relevant arrangement is made, or

(b) if earlier, the time when the UK creditor relationship ends,

"relevant UK credits", in relation to a UK connected company, means credits which the company has under Part 5 or 7 of CTA 2009,

"relevant UK debits", in relation to a UK connected company, means debits which the company has under Part 5 or 7 of CTA 2009, and

"UK connected company" means a UK resident company which—

(a) is connected with the CFC, or

(b) was connected with a company with which the CFC is connected."

(2) The amendment made by this section has effect for cases in which the relevant arrangement is made on or after 5 December 2013.

294 Controlled foreign companies: qualifying loan relationships (2)

(1) In Chapter 9 of Part 9A of TIOPA 2010 (controlled foreign companies: qualifying loan relationships) in section 371IH (exclusions from definition of "qualifying loan relationship") in subsection (10)(c) for "wholly or mainly used" substitute "used to any extent (other than a negligible one)".

(2) The amendment made by this section has effect for accounting periods of CFCs beginning on or after 5 December 2013.

(3) The following subsections apply in relation to a qualifying loan relationship of a CFC if—

(a) profits of the qualifying loan relationship ("the relevant profits") would, apart from those subsections, be included in the CFC's qualifying loan relationship profits for an accounting period of the CFC ("the straddling period") which begins before 5 December 2013 but ends on or after that date, and

(b) the creditor relationship in question would not be a qualifying loan relationship for the straddling period were the amendment made by this section to have effect for accounting periods of CFCs beginning before 5 December 2013.

(4) Apportion the relevant profits between the part of the straddling period falling before 5 December 2013 and the part falling on or after that date—

(a) in accordance with section 1172 of CTA 2010 (time basis), or

(b) if that method produces a result that is unjust or unreasonable, on a just and reasonable basis.

(5) The relevant profits are to be excluded from the CFC's qualifying loan relationship profits for the straddling period so far as they are apportioned to the part of the straddling period falling on or after 5 December 2013.

Financial sector regulation

295 Tax consequences of financial sector regulation

(1) Section 221 of FA 2012 (tax consequences of financial sector regulation) is amended as follows.

(2) In subsection (1) after "imposed" insert ", or which appears to the Treasury likely to be imposed,".

(3) After subsection (4) insert—

"(4A) Where regulations under this section make provision about the tax consequences of any regulatory requirement which appears to the Treasury likely to be imposed by any EU legislation or enactment—

(a) the regulations may be made (and, accordingly, may have effect) before the proposed legislation or enactment is adopted, passed or made, and

(b) failure after the regulations are made to adopt, pass or make the proposed legislation or enactment does not affect the validity of the regulations."

Scotland

296 Scottish basic, higher and additional rates of income tax

Schedule 38 contains provision about the Scottish basic, higher and additional rates of income tax.

297 Report on administration of the Scottish rate of income tax

(1) In Chapter 2 of Part 4A of the Scotland Act 1998, after section 80H insert—

"**80HA Report by the Comptroller and Auditor General**

(1) The Comptroller and Auditor General must for each financial year prepare a report on the matters set out in subsection (2).

(2) Those matters are—

(a) the adequacy of any of HMRC's rules and procedures put in place, in consequence of the Scottish rate provisions, for the purpose of ensuring the proper assessment and collection of income tax charged at rates determined under those provisions,

(b) whether the rules and procedures described in paragraph (a) are being complied with,

(c) the correctness of the sums brought to account by HMRC which relate to income tax which is attributable to a Scottish rate resolution, and

(d) the accuracy and fairness of the amounts which are reimbursed to HMRC under section 80H (having been identified by it as administrative expenses incurred as a result of the charging of income tax as mentioned in paragraph (a)).

(3) The "Scottish rate provisions" are—

(a) any provision made by or under this Chapter, and

(b) any provision made by or under the Income Tax Acts relating to the Scottish basic rate, the Scottish higher rate or the Scottish additional rate.

(4) A report under this section may also include an assessment of the economy, efficiency and effectiveness with which HMRC has used its resources in carrying out relevant functions.

(5) "Relevant functions" are functions of HMRC in the performance of which HMRC incurs administrative expenses which are reimbursed to HMRC under section 80H (having been identified by it as administrative expenses incurred as a result of the charging of income tax as mentioned in subsection (2)(a)).

(6) HMRC must give the Comptroller and Auditor General such information as the Comptroller and Auditor General may reasonably require for the purposes of preparing a report under this section.

(7) A report prepared under this section must be laid before the Scottish Parliament not later than 31 January of the financial year following that to which the report relates.

(8) In this section "HMRC" means Her Majesty's Revenue and Customs."

(2) The amendment made by this section has effect in relation to the financial year ending on 31 March 2015 and subsequent financial years.

Co-operative societies etc

298 Co-operative societies etc

Schedule 39 makes provision about the tax treatment of co-operative, community benefit and industrial and provident societies and credit unions.

Limitation periods

299 Removal of limitation period restriction for EU cases

(1) In section 107 of FA 2007 (limitation period in old actions for mistake of law relating to direct tax), after subsection (5) insert—

"(5A) Subsection (1) also does not have effect in relation to an action, or so much of an action as relates to a cause of action, if the consequences of a mistake of law to which the action, or cause of action, relates is the charging of tax contrary to EU law."

(2) The amendment made by this section has effect in relation to actions brought, and causes of action arising, before, on or after the day on which this Act is passed.

Local loans

300 Increase in limit for local loans

(1) In section 4(1) of the National Loans Act 1968 (local loans granted by the Public Works Loan Commissioners)—

(a) for "£55,000 million" substitute "£85 billion", and

(b) for "£70,000 million" substitute "£95 billion".

(2) The Local Loans (Increase of Limit) Order 2008 (S.I. 2008/3004) is revoked.

(3) This section comes into force on such day as the Treasury may by order made by statutory instrument appoint.