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*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2015, PART 1. (See end of Document for details)*

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## SCHEDULES

### SCHEDULE 3 **U.K.**

#### BANKING COMPANIES: SURCHARGE

#### **PART 1** **U.K.**

##### MAIN PROVISIONS

1 In Part 7A of CTA 2010 (banking companies), after Chapter 3 insert—

#### **“CHAPTER 4** **U.K.**

##### SURCHARGE ON BANKING COMPANIES

###### *Overview*

#### **Overview of Chapter**

- 269D) This Chapter contains provision for, and in connection with, a surcharge on the profits of banking companies.
- (2) Section 269DA provides for a sum to be charged on the surcharge profits of a banking company, in excess of the company's surcharge allowance, as if it were an amount of corporation tax.
  - (3) Section 269DB defines “non-banking group relief” for the purposes of calculating a company's surcharge profits.
  - (4) Section 269DC defines “non-banking or pre-2016 loss relief” for the purposes of calculating a company's surcharge profits.
  - (5) Section 269DD defines “relevant transferred-out gain” and “non-banking transferred-in gain” for the purposes of calculating a company's surcharge profits.
  - (6) Sections 269DE to 269DK contain provision for, and in connection with, determining a company's surcharge allowance.
  - (7) Sections 269DL and 269DM apply enactments relating to corporation tax to sums charged under section 269DA, modify those enactments and make other provision about administration and double taxation.
  - (8) Section 269DN contains anti-avoidance provision.
  - (9) Section 269DO contains provision about the interpretation of this Chapter.

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- (10) Chapter 2 (key definitions) contains provision about the interpretation of this Part that is relevant to this Chapter (see, in particular, section 269B (read with section 269DO(2) to (7)) for the meaning of “banking company” and section 269BD for the meaning of “group”).

### *The surcharge*

#### **Surcharge on banking companies**

- 269DA) If a company is a banking company in relation to an accounting period (a “chargeable accounting period”), a sum equal to 8% of its surcharge profits for the period, so far as they exceed its surcharge allowance for the period, is to be charged on the company as if it were an amount of corporation tax chargeable on the company.
- (2) For the purposes of this Chapter, a company's “surcharge profits” for a chargeable accounting period are—

$$TTP + NBGR + NBPLR + RTOG - NBTIG$$

where—

“TTP” is the taxable total profits of the company of the chargeable accounting period;

“NBGR” is the amount (if any) of non-banking group relief that is given in determining those taxable total profits (see section 269DB);

“NBPLR” is the amount (if any) of non-banking or pre-2016 loss relief (see section 269DC);

“RTOG” means the sum of any relevant transferred-out gains (see section 269DD);

“NBTIG” means the sum of any non-banking transferred-in gains (see section 269DD);

“RDEC” means any amount brought into account by the company under Chapter 6A of Part 3 of CTA 2009 (trade profits: R&D expenditure credits) as a receipt in calculating the profits of a trade for the chargeable accounting period.

- (3) A company's “surcharge allowance” for a chargeable accounting period is to be determined in accordance with section 269DE where, at any time in that period—
- (a) the company is a member of a group, and
  - (b) one or more other banking companies are members of that group.
- (4) Otherwise, a company's “surcharge allowance” for a chargeable accounting period is to be determined in accordance with section 269DJ.

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### *Non-banking group relief*

#### **Meaning of “non-banking group relief”**

- 269DB(1) In section 269DA(2), “non-banking group relief” means group relief that relates to losses or other amounts that the surrendering company has for a surrender period in relation to which it is not—
- (a) a banking company, or
  - (b) an EEA banking company.
- (2) The surrendering company is an “EEA banking company”, in relation to the surrender period, if—
- (a) the group relief relates to surrenderable amounts under Chapter 3 of Part 5 (surrenders made by non-UK resident company resident or trading in the EEA), and
  - (b) condition A or B is met.
- (3) Condition A is that the surrendering company would be a banking company in relation to the surrender period if—
- (a) it were UK resident,
  - (b) any activities carried on by the surrendering company in an EEA territory were carried on in the United Kingdom,
  - (c) where it would be required to be an authorised person for the purposes of FISMA 2000 in order to carry on those activities, it were an authorised person with permission to carry on those activities, and
  - (d) where those activities consist wholly or mainly of any of the relevant regulated activities described in the provisions mentioned in section 269BB(b) to (f), as a result of carrying on those activities and having such permission it would be an IFPRU 730k firm and a full scope IFPRU investment firm.
- (4) Condition B is that the surrendering company is a member of a partnership and the surrendering company would be a banking company if—
- (a) the surrendering company and the partnership were UK resident,
  - (b) any activities carried on by the partnership in an EEA territory were carried on in the United Kingdom,
  - (c) where the partnership would be required to be an authorised person for the purposes of FISMA 2000 in order to carry on those activities, the partnership were an authorised person with permission to carry on those activities, and
  - (d) where those activities consist wholly or mainly of any of the relevant regulated activities described in the provisions mentioned in section 269BB(b) to (f), as a result of carrying on those activities and having such permission the partnership would be an IFPRU 730k firm and a full scope IFPRU investment firm.
- (5) For the purposes of determining whether condition A or B is met, references in section 269B to an accounting period are to be read as references to the surrender period.

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- (6) The Treasury may by regulations make provision for, or in connection with, treating companies specified or described in the regulations as being, or as not being, EEA banking companies for the purposes of this section.
- (7) In this section—
  - “EEA territory” has the same meaning as in Chapter 3 of Part 5 (see section 112);
  - “surrenderable amounts”, “surrendering company” and “surrender period” have the same meaning as in Part 5 (see section 188(1)).
- (8) Section 269BC (banking companies: supplementary definitions) has effect for the purposes of this section.

*Non-banking or pre-2016 loss relief*

**Meaning of “non-banking or pre-2016 loss relief”**

- 269D(1) In section 269DA(2), “non-banking or pre-2016 loss relief” means the aggregate of—
- (a) any amounts that are deducted in determining the taxable total profits of the company of the chargeable accounting period, in respect of—
    - (i) a non-banking or pre-2016 carried-forward trading loss,
    - (ii) a non-banking or pre-2016 carried-forward non-trading deficit,
    - (iii) non-banking or pre-2016 carried-forward management expenses,
    - (iv) a non-banking or pre-2016 carried-forward UK property loss,
    - (v) a non-banking or pre-2016 carried-forward overseas property loss,
    - (vi) a non-banking or pre-2016 carried-forward excess capital allowance on special leasing,
    - (vii) a non-banking or pre-2016 carried-forward miscellaneous loss, or
    - (viii) a non-banking or pre-2016 carried-forward capital loss, and
  - (b) any used amount, for the chargeable accounting period, in respect of a non-banking or pre-2016 non-trading loss on intangible fixed assets.
- (2) For the purposes of this section—
- (a) a “non-banking” accounting period is an accounting period in relation to which the company was not a banking company, and
  - (b) a “pre-2016” accounting period is an accounting period of the company ending before 1 January 2016.
- (3) “A non-banking or pre-2016 carried-forward trading loss” means a loss which—

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- (a) was made in a trade of the company in a non-banking or pre-2016 accounting period, and
  - (b) is carried forward to the chargeable accounting period under section 45 (carry forward of trade loss against subsequent trade profits).
- (4) “A non-banking or pre-2016 carried-forward non-trading deficit” means a non-trading deficit—
  - (a) which the company had from its loan relationships under section 301(6) of CTA 2009 for a non-banking or pre-2016 accounting period, and
  - (b) which is carried forward under section 457 of that Act (carry forward of deficits to accounting periods after deficit period) to be set off against non-trading profits of the chargeable accounting period.
- (5) In subsection (4), “non-trading profits” has the same meaning as in section 457 of CTA 2009.
- (6) “Non-banking or pre-2016 management expenses” means amounts that fall within subsection (7) or (8).
- (7) The amounts within this subsection are amounts—
  - (a) which fall within subsection (2) of section 1223 of CTA 2009 (carry forward of expenses of management and other amounts),
  - (b) which—
    - (i) for the purposes of Chapter 2 of Part 16 of CTA 2009 are referable to a non-banking or pre-2016 accounting period, or
    - (ii) in the case of qualifying charitable donations, were made in such an accounting period, and
  - (c) which are treated by section 1223(3) of CTA 2009 as expenses of management deductible for the chargeable accounting period.
- (8) The amounts within this subsection are amounts of loss which—
  - (a) were made in a non-banking or pre-2016 accounting period, and
  - (b) are treated by section 63(3) (carry forward of certain losses made by company with investment business which ceases to carry on UK property business) as expenses of management deductible for the chargeable accounting period for the purposes of Chapter 2 of Part 16 of CTA 2009.
- (9) “A non-banking or pre-2016 carried-forward UK property loss” means a loss which—
  - (a) was made by the company in a UK property business in a non-banking or pre-2016 accounting period, and
  - (b) is carried forward to the chargeable accounting period under section 62(5) (carry forward of UK property business loss to be treated as loss of subsequent accounting period).
- (10) “A non-banking or pre-2016 carried-forward overseas property loss” means a loss which—
  - (a) was made by the company in an overseas property business in a non-banking or pre-2016 accounting period, and

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- (b) is carried forward to the chargeable accounting period under section 66(3) (carry forward of overseas property business loss against subsequent losses of that kind).
- (11) “A non-banking or pre-2016 carried-forward excess capital allowance on special leasing” means an amount of capital allowance—
- (a) to which the company was entitled for a non-banking or pre-2016 accounting period, and
  - (b) which must be deducted under section 260 of CAA 2001 (special leasing: corporation tax, excess allowance) from income of the company for the chargeable accounting period.
- (12) “A non-banking or pre-2016 carried-forward miscellaneous loss” means a loss which—
- (a) was made by the company in a transaction within subsection (2) of section 91 (relief for losses from miscellaneous transactions) in a non-banking or pre-2016 accounting period, and
  - (b) is carried forward to the chargeable accounting period under subsection (6) of that section (carry forward of miscellaneous losses against miscellaneous income).
- (13) “A non-banking or pre-2016 carried-forward capital loss” means an allowable loss which—
- (a) accrued to the company in a non-banking or pre-2016 accounting period or as a result of a non-banking loss transfer, and
  - (b) is to be deducted under section 8(1)(b) of TCGA 1992 (deduction of allowable losses from previous accounting periods) from the total amount of chargeable gains accruing to the company in the chargeable accounting period.
- (14) A “non-banking loss transfer” is a transfer to the company of the whole or any part of an allowable loss, by an election under section 171A of TCGA 1992 (reallocation within group), from a non-banking company.
- (15) In subsection (14) “non-banking company” means a company that is not a banking company at the time that the allowable loss, or such part of it as the election transfers, is treated as accruing by virtue of the election (see, in particular, section 171B(3) of TCGA 1992).
- (16) The company has “a non-banking or pre-2016 non-trading loss on intangible fixed assets” if it had a non-trading loss under section 751 of CTA 2009 (non-trading gains and losses) on intangible fixed assets in the relevant accounting period.
- (17) The “relevant accounting period” is—
- (a) if in relation to any accounting period beginning on or after 1 January 2016 the company was not a banking company, its most recent non-banking accounting period, and
  - (b) in any other case, the company's last pre-2016 accounting period (if any).
- (18) If all or part of the non-banking or pre-2016 non-trading loss on intangible fixed assets is carried forward as a non-trading debit to the accounting period following the relevant accounting period under section 753(3) of CTA 2009

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(“the initially carried-forward debit”), there is a “used amount”, for the chargeable accounting period, in respect of that loss if—

- (a) the initially carried-forward debit exceeds the aggregate of any used amounts, for any previous chargeable accounting periods, in respect of that loss, and
  - (b) there are any non-trading credits for the chargeable accounting period or a non-trading loss on intangible fixed assets is to be set off against the company's total profits for that period under section 753(1) of that Act.
- (19) If there is a used amount for the chargeable accounting period in respect of the non-banking or pre-2016 non-trading loss on intangible fixed assets it is to be calculated in accordance with subsections (20) and (21).
- (20) If the remaining carried-forward debit for the chargeable accounting period (see subsection (22)) does not exceed the aggregate of—
- (a) any non-trading credits for that period, and
  - (b) any amount of non-trading loss on intangible fixed assets that is to be set off against the profits of the company for that period under section 753(1) of CTA 2009,
- the used amount, for that period, in respect of the non-banking or pre-2016 non-trading loss on intangible fixed assets is equal to the remaining carried-forward debit for that period.
- (21) If the remaining carried-forward debit for the chargeable accounting period exceeds the aggregate of any amounts within paragraph (a) or (b) of subsection (20), the used amount, for that period, in respect of the non-banking or pre-2016 non-trading loss on intangible fixed assets is equal to the aggregate of those amounts.
- (22) In subsections (18) to (21)—
- “non-trading credit” means a non-trading credit in respect of intangible fixed assets for the purposes of Part 8 of CTA 2009;
- “the remaining carried-forward debit”, in relation to the chargeable accounting period, means the amount of the excess referred to in subsection (18)(a).

### **Meaning of “relevant transferred-out gain” and “non-banking transferred-in gain”**

269D(1) This section has effect for the purposes of section 269DA(2).

- (2) A “relevant transferred-out gain” means a chargeable gain, or any part of a chargeable gain, that—
  - (a) is transferred from the company, by an election under section 171A of TCGA 1992 (reallocation within group), to a non-banking company, and
  - (b) would have accrued to the company in the chargeable accounting period but for that election.
- (3) A “non-banking transferred-in gain” means a chargeable gain, or any part of a chargeable gain, that—

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- (a) is transferred to the company, by an election under section 171A of TCGA 1992, from a non-banking company, and
  - (b) accrues to the company in the chargeable accounting period as a result of the election.
- (4) In this section “non-banking company” means a company that is not a banking company at the time that the chargeable gain, or such part of it as the election transfers, is treated as accruing by virtue of the election (see, in particular, section 171B(3) of TCGA 1992).

*The surcharge allowance*

**Surcharge allowance for banking company in a group containing other banking companies**

- 269DE) This section makes provision as to the surcharge allowance of a banking company for a chargeable accounting period where, at any time in the period—
- (a) the banking company is a member of a group, and
  - (b) one or more other banking companies are members of that group.
- (2) The banking company's surcharge allowance for the chargeable accounting period is so much of its available surcharge allowance for the period as it specifies in its company tax return as its surcharge allowance for the period.
- (3) The banking company's “available surcharge allowance” for the chargeable accounting period is the sum of—
- (a) any amounts of group surcharge allowance allocated to the company for the period in accordance with sections 269DF to 269DI, and
  - (b) the appropriate amount of non-group surcharge allowance of the company for the period,
- up to a limit of £25,000,000.
- (4) The “appropriate amount of non-group surcharge allowance” of the company, for the chargeable accounting period, is—

$$\frac{DNG}{DAC} \times \pounds 25,000,000$$

where—

“DNG” is the number of days in the period on which the company is not a member of a group that has another member that is a banking company;

“DAC” is the total number of days in the period.

- (5) If the chargeable accounting period is less than 12 months—
- (a) the appropriate amount of non-group surcharge allowance, and
  - (b) the limit in subsection (3),
- are proportionally reduced.



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- (6) The sum of—
- (a) any amount specified under subsection (2) for the chargeable accounting period, and
  - (b) any amount that is specified under section 371BI(2) of TIOPA 2010 (calculation of CFC charge on banking companies) for the period, may not exceed the available surcharge allowance for the period.
- (7) Section 269DK contains provision about what happens if the requirement in subsection (6) is not met.

### **Group surcharge allowance and the nominated company**

269D(F) This section applies where—

- (a) two or more members of a group are banking companies, and
  - (b) all the banking companies that are members of the group together nominate (the “group allowance nomination”) one of their number (the “nominated company”) for the purposes of this Chapter.
- (2) The “group surcharge allowance” for the group is £25,000,000 for each accounting period of the nominated company throughout which the group allowance nomination has effect.
- (3) If the group allowance nomination takes effect, or ceases to have effect, part of the way through an accounting period of the nominated company, the “group surcharge allowance” for the group for that period is—

$$\frac{DN}{DAC} \times \pounds 25,000,000$$

where—

“DN” is the number of days in the accounting period on which a group allowance nomination that nominates the nominated company in relation to the group has effect, and

“DAC” is the total number of days in the accounting period.

- (4) If an accounting period of the nominated company is less than 12 months, the group surcharge allowance for that period is proportionally reduced.
- (5) A group allowance nomination must state the date on which it is to take effect (which may be earlier than the date the nomination is made).
- (6) A group allowance nomination is of no effect unless it is signed by the appropriate person on behalf of each company that is, when the nomination is made, a member of the group and a banking company.
- (7) A group allowance nomination ceases to have effect—
- (a) immediately before the date on which a new group allowance nomination in respect of the group takes effect,

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- (b) upon the appropriate person in relation to a banking company that is a member of the group notifying an officer of Revenue and Customs, in writing, that the group allowance nomination is revoked, or
  - (c) upon the nominated company ceasing to be a banking company or ceasing to be a member of the group.
- (8) The Commissioners for Her Majesty's Revenue and Customs may by regulations make further provision about a group allowance nomination or any notification under this section including, in particular, provision—
- (a) about the form and manner in which a nomination or notification may be made,
  - (b) about how a nomination may be revoked and the form and manner of such revocation,
  - (c) requiring a person to notify HMRC of the making or revocation of a nomination,
  - (d) requiring a person to give information to HMRC in connection with the making or revocation of a nomination or the giving of a notification,
  - (e) imposing time limits in relation to making or revoking a nomination or giving a notification, and
  - (f) providing that a nomination or its revocation, or a notification, is of no effect, or ceases to have effect, if time limits or other requirements under the regulations are not met.
- (9) In this Chapter “the appropriate person”, in relation to a company, means—
- (a) the proper officer of the company, or
  - (b) such other person as may for the time being have the express, implied or apparent authority of the company to act on its behalf for the purposes of this Chapter.
- (10) Subsections (3) and (4) of section 108 of TMA 1970 (responsibility of company officers: meaning of “proper officer”) apply for the purposes of subsection (9) as they apply for the purposes of that section.

**Group allowance allocation statement: submission**

269D(1) A company must submit a group allowance allocation statement to HMRC for each of its accounting periods in which it is the nominated company in relation to a group.

This is subject to subsections (2) and (3).

- (2) If a company ceases to be the nominated company in relation to a group before it submits a group allowance allocation statement to HMRC for an accounting period—
  - (a) that company may not submit the statement, and
  - (b) the company that is for the time being the nominated company in relation to the group must do so.
- (3) But if a new group allowance nomination in respect of the group takes effect on a date before it is made, that does not affect the validity of the submission of any group allowance allocation statement submitted before the date the new nomination is made.

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- (4) A group allowance allocation statement under this section must be received by HMRC within 12 months of the end of the accounting period, of the nominated company, to which it relates.
- (5) A group allowance allocation statement under this section may be submitted at a later time if an officer of Revenue and Customs allows it.
- (6) A group allowance allocation statement under this section must comply with the requirements of section 269DI.

#### **Group allowance allocation statement: submission of revised statement**

- 269D(1) This section applies if a group allowance allocation statement has been submitted under section 269DG, or this section, in respect of an accounting period of a company that is, or was, a nominated company (“the nominee’s accounting period”).
- (2) A revised group allowance allocation statement in respect of the nominee’s accounting period may be submitted to HMRC by the company that is for the time being the nominated company in relation to the group.
  - (3) But if a new group allowance nomination in respect of the group takes effect on a date before it is made, that does not affect the validity of the submission of any revised group allowance allocation statement submitted before the date the new nomination is made.
  - (4) A revised group allowance allocation statement may be submitted on or before whichever is the latest of the following dates—
    - (a) the last day of the period of 36 months after the end of the nominee’s accounting period;
    - (b) if notice of enquiry (within the meaning of Schedule 18 to FA 1998) is given into a relevant company tax return, 30 days after the enquiry is completed;
    - (c) if, after such an enquiry, an officer of Revenue and Customs amends the return under paragraph 34(2) of that Schedule, 30 days after the notice of amendment is issued;
    - (d) if an appeal is brought against such an amendment, 30 days after the date on which the appeal is finally determined.
  - (5) A revised group allowance allocation statement may be submitted at a later time if an officer of Revenue and Customs allows it.
  - (6) In this section “relevant company tax return” means a company tax return of a banking company for a chargeable accounting period for which an amount of group surcharge allowance was, or could have been, allocated by a previous group allowance allocation statement in respect of the nominee’s accounting period.
  - (7) The references in subsection (4) to an enquiry into a relevant company tax return do not include an enquiry resulting from an amendment of such a return where—
    - (a) the scope of the enquiry is limited as mentioned in paragraph 25(2) of Schedule 18 to FA 1998 (enquiry into amendments when time limit for enquiry into return as originally submitted is passed), and

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- (b) the amendment relates only to the allocation of group surcharge allowance for the nominee's accounting period.
- (8) A group allowance allocation statement under this section must comply with the requirements of section 269DI.

**Group allowance allocation statement: requirements and effect**

269DI) This section applies in relation to a group allowance allocation statement submitted under section 269DG or 269DH.

- (2) The statement must be signed by the appropriate person in relation to the company giving the statement.
- (3) The statement must—
  - (a) identify the group to which it relates,
  - (b) specify the accounting period, of the company that is or was the nominated company, to which the statement relates (“the nominee's accounting period”),
  - (c) specify the days in the nominee's accounting period on which that company was the nominated company in relation to the group or state that that company was the nominated company throughout the period,
  - (d) state the group surcharge allowance the group has for the nominee's accounting period,
  - (e) list one or more of the banking companies that were members of the group in the nominee's accounting period (“listed banking companies”),
  - (f) allocate amounts of the group surcharge allowance to the listed banking companies, and
  - (g) for each amount of group surcharge allowance allocated to a listed banking company, specify the chargeable accounting period of the listed banking company for which it is allocated.
- (4) An amount of group surcharge allowance allocated to a listed banking company must be allocated to that company for a chargeable accounting period that falls wholly or partly in the nominee's accounting period.
- (5) The maximum amount of group surcharge allowance that may be allocated, by the group allowance allocation statement, to a listed banking company for a chargeable accounting period of that company is—

$$\frac{DAP}{DNAP} \times GSA$$

where—

“DAP” is the number of days in the chargeable accounting period that are in the nominee's accounting period;

“DNAP” is the number of days in the nominee's accounting period;

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“GSA” is the group surcharge allowance of the group for the nominee's accounting period.

- (6) The sum of the amounts allocated to listed banking companies by the group allowance allocation statement may not exceed the group surcharge allowance for the nominee's accounting period.
- (7) If a group allowance allocation statement is submitted that does not comply with subsection (5) or (6), the company that is, for the time being, the nominated company in relation to the group must submit a revised group allowance allocation statement that does comply with those subsections within 30 days of the date on which the group allowance allocation statement that did not comply was submitted.
- (8) If a group allowance allocation statement—
  - (a) complies with those subsections when it is submitted, but
  - (b) subsequently ceases to comply with either of them,the company that is, for the time being, the nominated company in relation to the group must submit a revised group allowance allocation statement that does comply with those subsections within 30 days of the date on which the group allowance allocation statement ceased to comply with one of those subsections.
- (9) If a company fails to comply with subsection (7) or (8), an officer of Revenue and Customs may by written notice to the company amend the group allowance allocation statement as the officer thinks fit for the purpose of making it comply with subsections (5) and (6).
- (10) An officer of Revenue and Customs who issues a notice under subsection (9) to a company must, at the same time, send a copy of the notice to each of the listed banking companies.
- (11) The time limits otherwise applicable to the amendment of a company tax return do not apply to any such amendment to the extent that it is made in consequence of a group allowance allocation statement being submitted in accordance with section 269DG or 269DH.
- (12) The Commissioners for Her Majesty's Revenue and Customs may by regulations make further provision about a group allowance allocation statement including, in particular, provision—
  - (a) about the form of a statement and the manner in which it is to be submitted,
  - (b) requiring a person to give information to HMRC in connection with a statement,
  - (c) as to the circumstances in which a statement that is not received by the time specified in section 269DG(4) or 269DH(4) is to be treated as if it were so received, and
  - (d) as to circumstances in which a statement that does not comply with the requirements of this section is to be treated as if it did comply.

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### **Surcharge allowance for company not in a group containing other banking companies**

- 269D(1) This section makes provision as to the surcharge allowance of a banking company for a chargeable accounting period where section 269DE (surcharge allowance for banking company in a group containing other banking companies) does not apply.
- (2) The banking company's surcharge allowance for the chargeable accounting period is so much of its available surcharge allowance for the period as it specifies in its company tax return as its surcharge allowance for that period.
  - (3) The banking company's "available surcharge allowance" for the chargeable accounting period is £25,000,000.
  - (4) If the chargeable accounting period is less than 12 months, the banking company's available surcharge allowance for the period is proportionally reduced.
  - (5) The sum of—
    - (a) any amount specified under subsection (2) for the chargeable accounting period, and
    - (b) any amount that is specified under section 371BI(2) of TIOPA 2010 (calculation of CFC charge on banking companies) for the period, may not exceed the available surcharge allowance for the period.
  - (6) Section 269DK contains provision about what happens if the requirement in subsection (5) is not met.

### **Excessive specifications of available surcharge allowance**

- 269DK(1) This section applies if—
- (a) a banking company's company tax return for a chargeable accounting period—
    - (i) specifies an amount under section 269DE(2) or 269DJ(2) as its surcharge allowance for the period, or
    - (ii) specifies an amount under section 371BI(2) of TIOPA 2010 (calculation of CFC charge on banking companies) for the period, and
  - (b) the requirement in section 269DE(6) or (as the case may be) 269DJ(5) is not met.
- (2) The company must, so far as it may do so, amend the company tax return so that the requirement is met.
  - (3) If an officer of Revenue and Customs considers that, as a consequence of the requirement not being met, an insufficient sum has been charged on the company under section 269DA, or at step 5 in section 371BC(1) of TIOPA 2010, for the chargeable accounting period, the officer may make an assessment to tax in the amount which in the officer's opinion ought to be charged.

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- (4) The power in subsection (3) is without prejudice to the power to make a discovery assessment under paragraph 41(1) of Schedule 18 to FA 1998.
- (5) If an assessment under subsection (3) is made because a company fails, or is unable, to amend its company tax return in accordance with subsection (2) in consequence of the amount of group surcharge allowance allocated to it for an accounting period being altered, the assessment is not out of time if it is made within 12 months of the date on which the alteration took place.

*Application of Corporation Tax Acts: administration, double taxation etc*

**Application of enactments applying to corporation tax: assessment, recovery, double taxation etc**

- 269D(1) The provision in section 269DA relating to the charging of a sum as if it were an amount of corporation tax is to be taken as applying all enactments applying generally to corporation tax.
- (2) But this is subject to—
    - (a) the provisions of the Taxes Acts,
    - (b) any necessary modifications, and
    - (c) subsection (5).
  - (3) The enactments mentioned in subsection (1) include—
    - (a) those relating to returns of information and the supply of accounts, statements and reports,
    - (b) those relating to the assessing, collecting and receiving of corporation tax,
    - (c) those conferring or regulating a right of appeal, and
    - (d) those concerning administration, penalties, interest on unpaid tax and priority of tax in cases of insolvency under the law of any part of the United Kingdom.
  - (4) Accordingly, TMA 1970 is to have effect as if any reference to corporation tax included a sum chargeable under section 269DA as if it were an amount of corporation tax (but this does not limit subsections (1) to (3)).
  - (5) In the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999 (S.I. 1999/358) or any further regulations made under section 32 of FA 1998 (unrelieved surplus advance corporation tax)—
    - (a) references to corporation tax do not include a sum chargeable on a banking company under section 269DA as if it were an amount of corporation tax, and
    - (b) references to profits charged to corporation tax do not include surcharge profits.
  - (6) Part 2 of TIOPA 2010 (double taxation relief) applies to a sum chargeable under section 269DA as if it were an amount of corporation tax, subject to subsections (7) to (9).

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In those subsections, “credit for foreign tax” means a credit allowable under that Part.

- (7) A non-banking or pre-2016 carried-forward credit for foreign tax is not to be allowed against a sum chargeable on a company under section 269DA, for a chargeable accounting period, as if it were an amount of corporation tax.
- (8) “A non-banking or pre-2016 carried-forward credit for foreign tax” is a credit for foreign tax in respect of an amount—
- (a) which was an amount of a credit for foreign tax that would (ignoring section 42 of TIOPA 2010) have been allowable against corporation tax of the kind mentioned in section 72(1)(a) of that Act in an accounting period of the company—
    - (i) in relation to which the company was not a banking company, or
    - (ii) ending before 1 January 2016, and
  - (b) which is treated under paragraph (a) of section 73(1) of that Act as if it were foreign tax of the kind mentioned in that paragraph in relation to the chargeable accounting period.
- (9) Any credit for foreign tax that is allowable against—
- (a) corporation tax for an accounting period, and
  - (b) a sum chargeable for that period under section 269DA as if it were an amount of corporation tax,
- is to be allowed against the corporation tax first, before any of the credit then remaining is allowed against the sum so chargeable.
- (10) In this section “the Taxes Acts” has the same meaning as in TMA 1970 (see section 118(1) of that Act).

### **Payments in respect of the surcharge: information to be provided**

- 269DM1) This section applies if—
- (a) a sum is chargeable on a company (“the chargeable company”) under section 269DA, for a chargeable accounting period, as if it were an amount of corporation tax, and
  - (b) a payment is made (whether or not by the chargeable company) that is wholly or partly in respect of that sum.
- (2) The responsible company must notify an officer of Revenue and Customs in writing, on or before the date the payment is made, of the amount of the payment that is in respect of the sum that is chargeable under section 269DA.
- (3) “The responsible company” is—
- (a) if the chargeable company is party to relevant group payment arrangements, the company that is, under those arrangements, to discharge the liability of the chargeable company to pay corporation tax for the chargeable accounting period, and
  - (b) otherwise, the chargeable company.
- (4) “Relevant group payment arrangements” means arrangements under section 59F(1) of TMA 1970 (arrangements for paying of tax on behalf of group members) that relate to the chargeable accounting period.



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- (5) The requirement in subsection (2) is to be treated, for the purposes of Part 7 of Schedule 36 to FA 2008 (information and inspection powers: penalties), as a requirement in an information notice.
- (6) This section is subject to any provision to the contrary in regulations under section 59E of TMA 1970 (further provision as to when corporation tax is due and payable).

#### *Anti-avoidance*

#### **Profit and loss shifting to avoid or reduce surcharge liability**

- 269D(1) Subsection (3) applies in relation to a banking company if—
- (a) there are arrangements that result in a relevant transfer, and
  - (b) the main purpose, or one of the main purposes, of the arrangements is to avoid, or reduce, a sum being charged on the banking company under section 269DA.
- (2) There is a “relevant transfer” if there is, in substance—
- (a) a transfer (directly or indirectly) of all or a significant part of the surcharge profits of the banking company, for a chargeable accounting period, to a non-banking company, or
  - (b) a transfer (directly or indirectly) of a loss or deductible amount to the banking company, for a chargeable accounting period, from a non-banking company, resulting in the elimination or significant reduction of the banking company's surcharge profits for that period.
- (3) For the purposes of section 269DA, the surcharge profits of the banking company, for the chargeable accounting period, are to be taken to be what they would have been had the relevant transfer not taken place.
- (4) In this section—
- “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);
- “CFC” and “chargeable company” have the same meaning as in Part 9A of TIOPA 2010 (controlled foreign companies) (see section 371VA of that Act);
- “deductible amount” means—
- (a) an expense of a trade, other than an amount treated as such an expense by section 450(a) of CAA 2001 (research and development allowances treated as expenses in calculating profits of a trade),
  - (b) an expense of a UK property business or overseas property business,
  - (c) an expense of management of a company's investment business within the meaning of section 1219 of CTA 2009,
  - (d) a non-trading debit within the meaning of Parts 5 and 6 of CTA 2009 (loan relationships and relationships treated as such) (see section 301(2) of that Act), or

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(e) a non-trading debit within the meaning of Part 8 of CTA 2009 (intangible fixed assets) (see section 746 of that Act);

“non-banking company” means a company that, at any time when the arrangements mentioned in subsection (1) have effect, is neither—

(a) a banking company, nor

(b) a CFC in relation to which a banking company is a chargeable company.

### *Interpretation*

#### **Interpretation**

269D(1) In this Chapter—

“the appropriate person” has the meaning given by 269DF(9);

“banking company”, subject to subsections (2) to (7), has the meaning given by section 269B;

“chargeable accounting period” has the meaning given by section 269DA(1);

“company tax return” has the same meaning as in Schedule 18 to FA 1998;

“group” has the meaning given by section 269BD;

“group allowance allocation statement” means a group allowance allocation statement submitted under section 269DG or 269DH;

“group allowance nomination” has the meaning given by section 269DF(1);

“group surcharge allowance” has the meaning given by section 269DF;

“HMRC” means Her Majesty's Revenue and Customs;

“nominated company” has the meaning given by section 269DF(1);

“surcharge allowance” has the meaning given by section 269DA(3) and (4);

“surcharge profits” has the meaning given by section 269DA(2).

(2) Subsections (3) to (7) apply for the purposes of determining whether a company is a banking company for the purposes of this Chapter.

(3) Condition D in section 269B(5) is not met by reason of the relevant entity accepting deposits in a period if—

(a) the liabilities shown in the relevant entity's balance sheet for that period, so far as they result from it accepting deposits, do not amount to a substantial proportion of the entity's total liabilities and equity shown in that balance sheet, and

(b) if the company is a member of a group at any time in that period, no other company is a member of the group, and a UK deposit-taker, at any time in the period.

(4) In subsection (3)(b) “UK deposit-taker” means—

(a) a UK resident company that accepts deposits, or

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- (b) a non-UK resident company that accepts deposits in the course of carrying on a trade in the United Kingdom through a permanent establishment in the United Kingdom.
- (5) For the purposes of section 269BA(1)(e) (exclusion of entities carrying on only asset management activities), an entity does not carry on a relevant regulated activity other than asset management activities by accepting deposits if—
  - (a) accepting deposits is ancillary to asset management activities the entity carries on, and
  - (b) the entity would not accept deposits but for the fact that it carries on asset management activities.
- (6) In subsection (5) “asset management activities” has the meaning given by section 269BC(2).
- (7) For the purposes of subsections (3) to (5) references to accepting deposits are to carrying on activity which is (or, if it were carried on in the United Kingdom, would be) a regulated activity for the purposes of FISMA 2000 by virtue of article 5 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544) (accepting deposits).”

**Changes to legislation:**

There are currently no known outstanding effects for the Finance (No. 2) Act 2015, PART 1.