



# Finance Act 2018

## CHAPTER 3

### FINANCE ACT 2018

#### PART 1

##### DIRECT TAXES

###### *Income tax and corporation tax: charge*

- 1 Income tax charge for tax year 2018-19
- 2 Corporation tax charge for financial year 2019

###### *Income tax: rates and allowances*

- 3 Main rates of income tax for tax year 2018-19
- 4 Default and savings rates of income tax for tax year 2018-19
- 5 Starting rate limit for savings for tax year 2018-19
- 6 Transfer of tax allowance after death of spouse or civil partner

###### *Employment*

- 7 Deductions from seafarers' earnings
- 8 Exemption for armed forces' accommodation allowances
- 9 Benefits in kind: diesel cars
- 10 Termination payments: foreign service

###### *Disguised remuneration*

- 11 Employment income provided through third parties
- 12 Trading income provided through third parties

###### *Pensions*

- 13 Pension schemes

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### *Investments*

- 14 EIS, SEIS and VCT reliefs: risk to capital
- 15 EIS, SI and VCT reliefs: relevant investments
- 16 EIS and VCT reliefs: knowledge-intensive companies
- 17 VCTs: further amendments

### *Partnerships*

- 18 Partnerships

### *Corporation tax*

- 19 Research and development expenditure credit
- 20 Intangible fixed assets: realisation involving non-monetary receipt
- 21 Intangible fixed assets: transactions between related parties
- 22 Oil activities: tariff receipts etc
- 23 Hybrid and other mismatches
- 24 Corporate interest restriction
- 25 Education Authority of Northern Ireland

### *Chargeable gains*

- 26 Freezing of indexation allowance for gains chargeable to corporation tax
- 27 Assets transfer to non-resident company: reorganisations of share capital etc
- 28 Depreciatory transactions within a group of companies

### *Capital allowances*

- 29 First-year tax credits

### *Double taxation relief*

- 30 Reduction of relief in cases where losses relieved sideways etc
- 31 Countering effect of avoidance arrangements
- 32 Double taxation arrangements specified by Order in Council

### *Miscellaneous*

- 33 Bank levy
- 34 Debt traded on a multilateral trading facility
- 35 Settlements: anti-avoidance etc
- 36 Fixed rate deduction for expenditure on vehicles etc
- 37 Carried interest

## **PART 2**

### **INDIRECT TAXES**

#### *Value added tax*

- 38 Online marketplaces
- 39 VAT refunds to public authorities

#### *Stamp duty land tax*

- 40 Higher rates for additional dwellings

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- 41 Relief for first-time buyers

*Landfill tax*

- 42 Landfill tax: disposals not made at landfill sites, etc

*Excise duties*

- 43 Air passenger duty: rates of duty from 1 April 2019  
44 VED: rates for light passenger vehicles, light goods vehicles, motorcycles etc  
45 Tobacco products duty: rates

**PART 3**

MISCELLANEOUS AND FINAL

*Customs enforcement powers*

- 46 Power to enter premises and inspect goods  
47 Power to search vehicles or vessels

*Updating of statutory references*

- 48 CO<sub>2</sub> emissions figures etc

*Final*

- 49 Interpretation  
50 Short title

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**SCHEDULES**

**SCHEDULE 1 — Employment income provided through third parties**

**PART 1 — ARRANGEMENTS RELATING TO EARNINGS CHARGED TO TAX**

- 1 In section 554A of ITEPA 2003 (employment income provided through...

**PART 2 — CLOSE COMPANIES**

- 2 Application of Chapter 2 of Part 7A to ITEPA 2003  
3 Double taxation  
4 (1) Schedule 11 to F(No.2)A 2017 (employment income provided through...

**PART 3 — AMENDMENTS CONSEQUENTIAL ON PART 2**

- 5 ITEPA 2003  
6 ITTOIA 2005  
7 CTA 2009  
8 F(No.2)A 2017

**PART 4 — LOANS ETC OUTSTANDING ON 5 APRIL 2019**

- 9 Information requirement  
10 After paragraph 35 insert— PART 3A Duty to provide loan...  
11 (1) Paragraph 36 (duty to provide loan balance information to...  
12 PAYE: employee of non-UK employer

**PART 5 — COMMENCEMENT**

- 13 The amendment made by paragraph 1— (a) is to be...  
14 The amendments made by paragraphs 2, 3 and 5 of...

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- 15 The amendment made by paragraph 6 of this Schedule in...
- 16 The amendment made by paragraph 7 of this Schedule in...

SCHEDULE 2 — Trading income provided through third parties: loans etc  
outstanding on 5 April 2019

- 1 In Schedule 12 to F(No.2)A 2017 (trading income provided through...

SCHEDULE 3 — Pension schemes

- 1 Amendments of and relating to Part 4 of the Finance Act 2004
- 2 Commencement
- 3 Meaning of “Master Trust scheme”: transitional provision
- 4 Master Trust schemes registered before the passing of this Act

SCHEDULE 4 — EIS and VCT reliefs: knowledge-intensive companies

- 1 Amount of EIS relief
- 2 Maximum amount raised annually by knowledge-intensive company
- 3 (1) Section 292A of ITA 2007 (the maximum amount raised...
- 4 In section 297B of ITA 2007 (the proportion of skilled...
- 5 Initial investing period: permitted age of knowledge-intensive company
- 6 After section 252A of ITA 2007 insert— Knowledge-intensive company  
reaching...
- 7 In section 280C of ITA 2007 (the permitted maximum age...
- 8 In section 294A of ITA 2007 (the permitted company age...
- 9 After section 331A of ITA 2007 insert— Knowledge-intensive company  
reaching...
- 10 Commencement

SCHEDULE 5 — Venture capital trusts: further amendments

- 1 Relaxation of restriction where there is a linked sale
- 2 The 70% qualifying holdings condition
- 3 In consequence of the amendment made by paragraph 2, in...
- 4 In section 280A of ITA 2007, in subsection (2)(a), for...
- 5 The minimum investment on further issue condition
- 6 After section 280B of ITA 2007 insert— The minimum investment...
- 7 Non-qualifying loans
- 8 Qualifying holdings: exclusions
- 9 In Part 1 of Schedule 16 to FA 2007 (venture...
- 10 In Schedule 11 to FA 2008 (venture capital trusts), in...
- 11 (1) In Schedule 2 to F(No.3)A 2010 (venture capital trusts),...
- 12 Commencement
- 13 The other amendments made by this Schedule come into force...
- 14 Regulations under paragraph 13— (a) may make different provision  
for...

SCHEDULE 6 — Partnerships

PART 1 — BARE TRUSTS

- 1 In ITTOIA 2005, after section 848 insert— Bare trusts (1) This section  
applies if— (a) a partner in a...
- 2 In CTA 2009, after section 1258 insert— Bare trusts (1) This section  
applies if— (a) a partner in a...
- 3 (1) TMA 1970 is amended as follows.
- 4 (1) The amendment made by paragraph 1 has effect in...

PART 2 — NOTIONAL TRADE AND BUSINESS OF INDIRECT PARTNER

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- 5 (1) ITTOIA 2005 is amended as follows.  
PART 3 — RETURNS: INFORMATION TO BE INCLUDED
- 6 (1) TMA 1970 is amended as follows.
- 7 (1) F(No.2)A 2017 is amended as follows.  
PART 4 — RETURNS: OVERSEAS PARTNERS IN INVESTMENT PARTNERSHIPS  
ETC
- 8 (1) TMA 1970 is amended as follows.
- 9 In Schedule 14 to F(No.2)A 2017 (amendments relating to digital...  
PART 5 — RETURNS CONCLUSIVE AS TO SHARES OF PROFITS AND LOSSES
- 10 (1) TMA 1970 is amended as follows.
- 11 In section 850 of ITTOIA 2005 (allocation of firm’s profits...
- 12 In section 1262 of CTA 2009 (allocation of firm’s profits...
- 13 (1) FA 2014 is amended as follows.
- 14 The amendments made by paragraphs 10 to 13 have effect...
- 15 (1) Schedule 14 to F(No.2)A 2017 (amendments relating to digital...

#### SCHEDULE 7 — Hybrid and other mismatches

- 1 Introductory
- 2 Meaning of “tax” etc and treatment of cases where tax charged at a nil rate
- 3 In section 259BC (meaning of “ordinary income”), in subsection (3),...
- 4 In section 259FA (circumstances in which Chapter 6 applies), after...
- 5 In section 259GB (hybrid payee deduction/non-inclusion mismatches and their extent),...
- 6 In section 259KB (meaning of “excessive PE deduction”), after subsection...
- 7 CFCs and foreign CFCs: qualifying CFC amounts
- 8 Hybrid and other mismatches from financial instruments: qualifying capital amounts
- 9 Hybrid transfer deduction/non-inclusion mismatches: qualifying capital amounts
- 10 In section 259DD (hybrid transfer deduction/non-inclusion mismatches: interpretation of section...
- 11 Hybrid payee deduction/non-inclusion mismatches
- 12 Multinational payee deduction/non-inclusion mismatches
- 13 Hybrid entity double deduction mismatches: use of restricted deduction
- 14 After section 259IC insert— Section 259ID income for the purposes...
- 15 Imported mismatches: dual inclusion income
- 16 (1) Section 259KC (denial of the relevant deduction in relation...
- 17 After section 259KC insert— Deductions from dual inclusion income  
(1) If— (a) section 259KA(6)(a) applies as a result of...
- 18 Adjustments in light of subsequent events: accounting treatment
- 19 Commencement

#### SCHEDULE 8 — Corporate interest restriction

##### PART 1 — AMENDMENTS OF PART 10 OF TIOPA 2010

- 1 Introductory
- 2 Hedging of tax-interest expense amounts or tax-interest income amounts etc
- 3 (1) Section 387 (relevant derivative contract credits) is amended as...
- 4 (1) Section 411 (“relevant expense amount” and “relevant income amount”)

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- 5 In section 412 (section 411: interpretation), after subsection (3) insert  
—...
- 6 Group ratio: leaving R&D expenditure credits out of account
- 7 Public infrastructure
- 8 (1) Section 434 (elections under section 433) is amended as...
- 9 (1) Section 436 (meaning of “qualifying infrastructure activity”) is amended...
- 10 In section 443 (interest capacity for group with qualifying infrastructure...
- 11 In section 444 (joint venture companies), in subsection (1), after...
- 12 Identifying members of a worldwide group
- 13 (1) Section 475 (meaning of “non-consolidated subsidiary” and “consolidated subsidiary”)...
- 14 Interest restriction returns
- 15 (1) Paragraph 70 of Schedule 7A (cases where company treated...
- 16 After paragraph 70 of Schedule 7A insert— Failure to comply...
- 17 (1) Paragraph 71 of Schedule 7A (regulations for purposes of...
- 18 Other amendments
- 19 In section 393(5)(a) (amount of interest allowance for a period...
- 20 (1) Section 411 (meaning of “relevant expense amount” and “relevant...
- 21 (1) Section 412 (section 411: interpretation) is amended as follows....
- 22 Commencement
- 23 (1) Part 10 of TIOPA 2010 has effect, and is...
- 24 The amendment made by paragraph 11 has effect in relation...
- 25 The amendments made by paragraph 15 have effect in relation...
- 26 The amendment made by paragraph 16 does not have effect...  
PART 2 — OTHER AMENDMENTS
- 27 In section 9A of CTA 2010 (designated currency of a...
- 28 The amendment made by paragraph 27 has effect in relation...

#### SCHEDULE 9 — Bank levy

##### PART 1 — CHARGEABLE EQUITY AND LIABILITIES

- 1 Introductory
- 2 Chargeable equity and liabilities: relevant groups and relevant entities
- 3 Definition of “UK allocated equity and liabilities”
- 4 (1) Paragraph 25 (UK allocated equity and liabilities: netting) is...
- 5 In paragraph 26(4), for “paragraph 17(17) or 19(17)” substitute “paragraph...
- 6 (1) Paragraph 27 (UK allocated equity and liabilities: determining the...
- 7 After paragraph 27 insert— (1) Paragraph 27D applies for the purposes of paragraph 27(2)(b)...
- 8 Consequential amendments
- 9 In paragraph 30(2), at the beginning insert “For the purposes...
- 10 In paragraph 40(1), for the words from “paragraphs 16” to...
- 11 (1) Paragraph 47 is amended in accordance with this paragraph....
- 12 In paragraph 53(4)— (a) in paragraph (a), for “relevant UK...
- 13 (1) Paragraph 54 is amended in accordance with this paragraph....
- 14 (1) Paragraph 70 is amended in accordance with this paragraph....
- 15 In paragraph 77, after “subject to” insert “Step 7 in...  
PART 2 — MISCELLANEOUS AMENDMENTS
- 16 Introductory
- 17 Joint ventures
- 18 Joint and several liability

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- 19 After paragraph 53, insert— (1) This paragraph applies where— (a) an entity (the “ring-fenced...
  - 20 Meaning of “the responsible member”
  - 21 After paragraph 55, insert— (1) This paragraph applies for the purposes of paragraph 54(3)(c)(ii)...
  - 22 International accounting standards
  - 23 In paragraph 12 (definition of “banking group”), in sub-paragraph (7),...
  - 24 In paragraph 13 (definition of “banking group”: exempt activities condition)—...
  - 25 In paragraph 14 (definition of “assets”, “equity” and “liabilities”), omit...
  - 26 In paragraph 24 (definition of “UK allocated equities and liabilities”) —...
  - 27 In paragraph 35 (exclusion of relevant tax liabilities)—
  - 28 In paragraph 36 (exclusion of relevant retirement benefit liabilities)—
  - 29 In paragraph 42 (financial statements etc)— (a) in sub-paragraph (8),...
  - 30 In paragraph 70 (general definitions)— (a) omit the definition of...
  - 31 In paragraph 71 (definition of “asset management activities”), in sub-paragraph...
  - 32 In paragraph 72 (definition of “capital resources condition”), in sub-paragraph...
  - 33 In paragraph 73 (definition of “excluded entity”), in sub-paragraph (3),...
  - 34 In paragraph 81 (power to make consequential changes), in sub-paragraph...
- PART 3 — COMMENCEMENT
- 35 The amendments made by Part 1, and by paragraphs 17...
  - 36 The amendments made by paragraphs 18 and 19 of Part...

#### SCHEDULE 10 — Settlements: anti-avoidance etc

##### PART 1 — CAPITAL GAINS TAX

- 1 TCGA 1992
  - 2 (1) Sub-paragraph (2) applies in a case where—
- PART 2 — INCOME TAX
- 3 ITTOIA 2005
  - 4 In section 619(1) (list of provisions in the Chapter charging...
  - 5 In section 621 (income charged under the Chapter), for “income...
  - 6 In section 622 (person liable), at the end insert “,...
  - 7 In section 623 (deductions and reliefs allowed when calculating liability...
  - 8 In section 635 (amount of available income for section 633...
  - 9 In section 636 (amount of unprotected income that is undistributed...
  - 10 In section 637 (qualifications to section 636)—
  - 11 After section 643 insert— Benefits matched with protected foreign-source income...
  - 12 ITA 2007
  - 13 (1) Section 731 (charge to tax on income treated as...
  - 14 In section 732(1)(e) (where benefit received, income treated as arising...
  - 15 In section 733A(7) (meaning of “close member” of settlor’s family),...
  - 16 After section 733A insert— Recipients of onward gifts (1) Sections 733C to 733E apply if—
  - 17 In section 734 (amount charged under section 731 is reduced...

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- 18 After section 734 insert— Reduction in amount charged: previous settlements...
- 19 After section 735B insert— Person liable under section 733C or...
- 20 Consequential amendments
- 21 Commencement etc of amendments in ITTOIA 2005 and ITA 2007
- 22 The new section 643D(3) of ITTOIA 2005 is to be...

SCHEDULE 11 — Stamp duty land tax: higher rates for additional dwellings

- 1 Schedule 4ZA to FA 2003 (stamp duty land tax: higher...
- 2 Previous residence required to be disposed of entirely
- 3 Exception where purchaser has prior interest in purchased dwelling
- 4 Exception where spouses and civil partners purchasing from one another
- 5 Property adjustment on divorce, dissolution of civil partnership etc
- 6 Purchase etc by person appointed under Mental Capacity Act 2005 to make decisions for a child
- 7 Minor and consequential amendments
- 8 (1) Paragraph 3 is amended as follows.
- 9 In paragraph 6— (a) after sub-paragraph (1) insert—
- 10 In paragraph 8— (a) in sub-paragraph (1) for “ceases to...
- 11 In paragraph 9(3) for “paragraph” substitute “Schedule”.
- 12 (1) Paragraph 12 is amended as follows.
- 13 In the italic heading before paragraph 17 omit “, Wales”....
- 14 (1) Paragraph 17 is amended as follows.
- 15 In section 128(9)(b) of FA 2016 for ““during that period...
- 16 Commencement

SCHEDULE 12 — Landfill tax: disposals not made at landfill sites, etc

PART 1 — AMENDMENTS OF PART 3 OF FA 1996

- 1 Introduction
- 2 Taxable disposals
- 3 After section 40 insert— Disposals of material (1) For the purposes of this Part, there is a...
- 4 Liability to pay landfill tax
- 5 Exemptions
- 6 In section 44 (mining and quarrying), in subsection (1), after...
- 7 (1) Section 45 (pet cemeteries) is amended as follows.
- 8 In section 46 (power to vary), in subsection (2), before...
- 9 Taxable activities
- 10 Taxable disposals etc: supplementary and consequential amendments
- 11 In section 51 (credit: general), in subsection (1)(a), after “liable...
- 12 In section 52 (bad debts), in subsection (1)(a), after “taxable...
- 13 Omit sections 64 to 67.
- 14 (1) Section 70 (interpretation) is amended as follows.
- 15 In section 71 (orders and regulations), in subsection (7)—
- 16 (1) Schedule 5 (landfill tax) is amended as follows.
- 17 Registration
- 18 Registration: supplementary and consequential amendments
- 19 (1) Section 59 (groups of companies) is amended as follows....
- 20 In section 70 (interpretation), in subsection (1), for ““registrable person”...
- 21 (1) Schedule 5 is amended as follows.
- 22 Assessment



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- 23 After that section insert— Power to assess: unregistered persons (1)  
Where— (a) it appears to the Commissioners that a...
- 24 Assessment: supplementary and consequential amendments
- 25 (1) Schedule 5 is amended as follows.  
PART 2 — AMENDMENTS OF OTHER ACTS
- 26 FA 2008
- 27 (1) Schedule 41 to that Act (penalties: failure to notify...
- 28 FA 2011  
PART 3 — COMMENCEMENT AND TRANSITIONAL PROVISIONS
- 29 Commencement
- 30 Registration
- 31 Disposals before April 2018 at places other than landfill sites
- 32 (1) A person who is liable (by virtue of paragraph...
- 33 Schedule 41 to FA 2008 (penalties: failure to notify etc)...
- 34 Paragraphs 31 to 33 come into force on 1 April...
- 35 Interpretation