



Finance Act 2020

2020 CHAPTER 14

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Investments

36 Enterprise investment scheme: approved investment fund as nominee

(1) Section 251 of ITA 2007 (EIS: approved investment fund as nominee) is amended as follows.

(2) In subsection (1)—

- (a) in the opening words, for “Subsection (2) applies” substitute “This section applies”,
- (b) in paragraph (a), for “an approved fund” substitute “an approved knowledge-intensive fund”,
- (c) omit the “and” at the end of paragraph (b),
- (d) in paragraph (c), for “90%” substitute “50%”,
- (e) after that paragraph insert—

“(d) the amounts which the managers have, as nominee for the individual, subscribed for shares issued within 24 months after the closing of the fund represent at least 90% of the individual’s investment in the fund,

(e) within that 24 month period at least 80% of the individual’s investment in the fund is represented by shares in companies which are knowledge-intensive companies at the time the shares are issued, and

(f) the managers have met such conditions with respect to the provision of information to HMRC Commissioners as the Commissioners consider appropriate for the purposes of this section.”, and

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- (f) omit the second sentence.
- (3) After that subsection insert—
 - “(1A) In this section “the managers of an approved knowledge-intensive fund” means the person or persons having the management of an investment fund—
 - (a) which is, in the opinion of HMRC Commissioners, a fund established for the purpose of investing wholly, or substantially wholly, in shares in companies which are knowledge-intensive companies at the time the shares are issued, and
 - (b) which is, having met such other conditions as HMRC Commissioners consider appropriate for the purposes of this section, approved by them for those purposes.”
- (4) In subsection (2), omit “In any case where this subsection applies.”.
- (5) After that subsection insert—
 - “(2A) Accordingly, in a case where section 158 has effect with the modifications in subsection (2), the reference in section 158(4) to the issue of the shares in the preceding tax year is to the issue of the shares in the tax year preceding the tax year in which the fund closes (and references elsewhere in this Part to the issue of shares in a previous tax year are to be read accordingly).”
- (6) In subsection (4), in the opening words, for “an approved fund” substitute “an approved knowledge-intensive fund”.
- (7) In subsection (5)(b), for “the Commissioners for Her Majesty’s Revenue and Customs” substitute “HMRC Commissioners”.
- (8) In subsection (6), for “an approved fund” substitute “an approved knowledge-intensive fund”.
- (9) In subsection (7), for “an approved fund” substitute “an approved knowledge-intensive fund”.
- (10) After that subsection insert—
 - “(8) In this section “HMRC Commissioners” means the Commissioners for Her Majesty’s Revenue and Customs.”
- (11) In the title, for “investment fund” substitute “knowledge-intensive fund”.
- (12) The amendments made by this section are treated as having come into force on 6 April 2020 in relation to funds that close on or after that date.

37 Gains from contracts for life insurance etc: top slicing relief

- (1) In Chapter 9 of Part 4 of ITTOIA 2005 (gains from contracts for life insurance etc), sections 535 to 537 (top slicing relief) are amended as follows.
- (2) In section 535 (top slicing relief), at the end insert—
 - “(8) For the purposes of the calculations mentioned in subsection (1)—
 - (a) section 25(2) of ITA 2007 (deductions of reliefs and allowances in most beneficial way for taxpayer) does not apply, and

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- (b) reliefs and allowances are available for deduction from an amount that, for the purposes of those calculations, is the highest part of the individual's total income for the tax year only so far as they cannot be deducted from other amounts.”
- (3) In section 536(1) (top slicing relieved liability: one chargeable event), in paragraph (a) of step 2—
- (a) omit the “and” at the end of sub-paragraph (i), and
 - (b) after the “and” at the end of sub-paragraph (ii) insert—
 - “(iii) in determining the amount of the individual's personal allowance under section 35 of ITA 2007 (but not the amount of any other relief or allowance), it is assumed that the gain from the chargeable event is equal to the amount of the annual equivalent, and”.
- (4) In section 537 (top slicing relieved liability: two or more chargeable events), in paragraph (a) of step 2—
- (a) omit the “and” at the end of sub-paragraph (i), and
 - (b) after the “and” at the end of sub-paragraph (ii) insert—
 - “(iii) in determining the amount of the individual's personal allowance under section 35 of ITA 2007 (but not the amount of any other relief or allowance), it is assumed that the total gains from the chargeable events are equal to the amount of the total annual equivalent, and”.
- (5) The amendments made by this section have effect in relation to the tax year 2019-20 and subsequent tax years (but see subsection (6) for an exception in the case of the tax years 2019-20 and 2020-21).
- (6) Those amendments do not have effect in relation to the tax year 2019-20 or 2020-21 in the case of an individual who is only liable to tax under Chapter 9 of Part 4 of ITTOIA 2005 for the year in question—
- (a) on a gain from one chargeable event that occurs before 11 March 2020, or
 - (b) on gains from chargeable events each of which occurs before that day.

38 Losses on disposal of shares: abolition of requirement to be UK business

- (1) The following provisions are repealed—
- (a) section 134(5) of ITA 2007 (which provides that a company is a qualifying trading company for the purposes of income tax relief under Chapter 6 of Part 4 of that Act only if it carries on its business in the United Kingdom), and
 - (b) section 78(5) of CTA 2010 (which makes corresponding provision for the purposes of corporation tax relief under Chapter 5 of Part 4 of that Act).
- (2) In consequence of the repeals made by subsection (1)—
- (a) in ITA 2007—
 - (i) in section 134(1), for “D” substitute “C”,
 - (ii) in section 147(8), at the end of paragraph (a) insert “or” and omit paragraph (c) together with the “or” before it,
 - (iii) in section 150(1), omit the entry relating to section 134(5)(a), and

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- (iv) in paragraph 38(2) of Schedule 2, in the opening words, for “(2) to (5)” substitute “(2) to (4)”, and omit the substituted section 134(5) of ITA 2007, and
 - (b) in CTA 2010—
 - (i) in section 75(8), at the end of paragraph (a) insert “or” and omit paragraph (c) together with the “or” before it,
 - (ii) in section 78(1), for “D” substitute “C”,
 - (iii) in section 89(1), omit the entry relating to section 78(5)(a), and
 - (iv) in paragraph 28(4) of Schedule 2, in the opening words, for “(2) to (5)” substitute “(2) to (4)”, and omit the substituted section 78(5) of CTA 2010.
- (3) The amendments made by this section have effect in relation to disposals made on or after 24 January 2019.