Finance Act 2020

2020 CHAPTER 14

An Act to grant certain duties, to alter other duties, and to amend the law relating to the national debt and the public revenue, and to make further provision in connection with finance. [22nd July 2020]

Most Gracious Sovereign

WE, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and to grant unto Your Majesty the several duties hereinafter mentioned; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Income tax charge, rates etc

1 Income tax charge for tax year 2020-21

Income tax is charged for the tax year 2020-21.

2 Main rates of income tax for tax year 2020-21

For the tax year 2020-21 the main rates of income tax are as follows—

(a) the basic rate is 20%,

(b) the higher rate is 40%, and

(c) the additional rate is 45%.

3 Default and savings rates of income tax for tax year 2020-21

(1) For the tax year 2020-21 the default rates of income tax are as follows—
(a) the default basic rate is 20%,
(b) the default higher rate is 40%, and
(c) the default additional rate is 45%.

(2) For the tax year 2020-21 the savings rates of income tax are as follows—
(a) the savings basic rate is 20%,
(b) the savings higher rate is 40%, and
(c) the savings additional rate is 45%.

4 Starting rate limit for savings for tax year 2020-21

Section 21 of ITA 2007 (indexation) does not apply in relation to the starting rate limit for savings for the tax year 2020-21 (so that the starting rate limit for savings remains at £5,000 for that tax year).

Corporation tax charge and rates

5 Main rate of corporation tax for financial year 2020

(1) For the financial year 2020 the main rate of corporation tax is 19%.

(2) Accordingly, omit section 7(2) of F(No.2)A 2015 (which is superseded by the provision made by subsection (1)).

6 Corporation tax: charge and main rate for financial year 2021

(1) Corporation tax is charged for the financial year 2021.

(2) The main rate of corporation tax for that year is 19%.

Employment income and social security income

7 Workers' services provided through intermediaries

Schedule 1 makes provision about workers' services provided through intermediaries.

8 Determining the appropriate percentage for a car: tax year 2020-21 onwards

(1) Chapter 6 of Part 3 of ITEPA 2003 (taxable benefits: cars etc) is amended as follows.

(2) In section 136 (car with a CO_2 emissions figure: post-September 1999 registration)—
(a) in subsection (2A)—
(i) after "figure" insert "in a case where the car is first registered before 6 April 2020",
(ii) for "light-duty" substitute "light", and

(iii) for "an EC certificate of conformity" substitute "the EC certificate of conformity or UK approval certificate", and

(b) after subsection (2A) insert—

"(2B) For the purpose of determining the car's CO_2 emissions figure in a case where the car is first registered on or after 6 April 2020, ignore any values specified in the EC certificate of conformity or UK approval certificate that are not WLTP (worldwide harmonised light vehicle test procedures) values."

(3) In section 137 (car with a CO_2 emissions figure: bi-fuel cars)—

(a) in subsection (2A)—

(i) after "figure" insert "in a case where the car is first registered before 6 April 2020",

(ii) for "light-duty" substitute "light", and

(iii) for "an EC certificate of conformity" substitute "the EC certificate of conformity or UK approval certificate", and

(b) after subsection (2A) insert—

"(2B) For the purpose of determining the car's CO_2 emissions figure in a case where the car is first registered on or after 6 April 2020, ignore any values specified in the EC certificate of conformity or UK approval certificate that are not WLTP (worldwide harmonised light vehicle test procedures) values."

(4) In section 139 (car with a CO_2 emissions figure)—

(a) for subsection (2) substitute—

"(2) For the purposes of subsection (1) and the table—

(a) if a CO_2 emissions figure is not a whole number, round it down to the nearest whole number, and

(b) if an electric range figure is not a whole number, round it up to the nearest whole number.", and

(b) after subsection (5) insert—

"(5A) For the purpose of determining the electric range figure for a car first registered before 6 April 2020, ignore any WLTP (worldwide harmonised light vehicle test procedures) values specified in an EC certificate of conformity, an EC type-approval certificate or a UK approval certificate.

(5B) For the purpose of determining the electric range figure for a car first registered on or after 6 April 2020, ignore any values specified in an EC certificate of conformity, an EC type-approval certificate or a UK approval certificate that are not WLTP (worldwide harmonised light vehicle test procedures) values."

(5) The amendments made by this section have effect for the tax year 2020-21 and subsequent tax years.

9 Determining the appropriate percentage for a car: tax year 2020-21 only

(1) For the tax year 2020-21, Chapter 6 of Part 3 of ITEPA 2003 (taxable benefits: cars etc) has effect with the following modifications.

(2) In section 139 (car with a CO_2 emissions figure: the appropriate percentage)—

(a) in the table in subsection (1), in the second column of the entry for a car with a CO_2 emissions figure of 0, for "2%" substitute "0%", and

(b) in subsection (7) before paragraph (a) insert—

"(za) section 139A (recently registered cars),".

(3) After section 139 insert—

"**139A Section 139: recently registered car with CO_2 emissions figure**

In its application in relation to a car that is first registered on or after 6 April 2020, section 139 has effect as if—

(a) for the table in subsection (1) there were substituted—

"Car	*Appropriate percentage*
Car with CO_2 emissions figure of 0	0%
Car with CO_2 emissions figure of 1 - 50	
Car with electric range figure of 130 or more	0%
Car with electric range figure of 70 - 129	3%
Car with electric range figure of 40 - 69	6%
Car with electric range figure of 30 - 39	10%
Car with electric range figure of less than 30	12%
Car with CO_2 emissions figure of 51 - 54	13%
Car with CO_2 emissions figure of 55 - 59	14%
Car with CO_2 emissions figure of 60 - 64	15%
Car with CO_2 emissions figure of 65 - 69	16%
Car with CO_2 emissions figure of 70 - 74	17%"

(b) in subsection (3)(a) for "20%" there were substituted "18%"."

(4) In section 140 (car without a CO_2 emissions figure: the appropriate percentage) in subsection (3)(a) for "2%" substitute "0%".

10 Determining the appropriate percentage for a car: tax year 2021-22 only

(1) For the tax year 2021-22, Chapter 6 of Part 3 of ITEPA 2003 (taxable benefits: cars etc) has effect with the following modifications.

(2) In section 139 (car with a CO_2 emissions figure: the appropriate percentage)—

(a) in the table in subsection (1), in the second column of the entry for a car with a CO_2 emissions figure of 0, for "2%" substitute "1%", and

(b) in subsection (7) before paragraph (a) insert—

"(za) section 139A (recently registered cars),".

(3) After section 139 insert—

"**139A Section 139: recently registered car with CO_2 emissions figure**

In its application in relation to a car that is first registered on or after 6 April 2020, section 139 has effect as if—

(a) for the table in subsection (1) there were substituted—

"Car	*Appropriate percentage*
Car with CO_2 emissions figure of 0	1%
Car with CO_2 emissions figure of 1 - 50	
Car with electric range figure of 130 or more	1%
Car with electric range figure of 70 - 129	4%
Car with electric range figure of 40 - 69	7%
Car with electric range figure of 30 - 39	11%
Car with electric range figure of less than 30	13%
Car with CO_2 emissions figure of 51 - 54	14%
Car with CO_2 emissions figure of 55 - 59	15%
Car with CO_2 emissions figure of 60 - 64	16%
Car with CO_2 emissions figure of 65 - 69	17%
Car with CO_2 emissions figure of 70 - 74	18%"

(b) in subsection (3)(a) for "20%" there were substituted "19%"."

(4) In section 140 (car without a CO_2 emissions figure: the appropriate percentage) in subsection (3)(a) for "2%" substitute "1%".

11 Apprenticeship bursaries paid to persons leaving local authority care

(1) In Part 4 of ITEPA 2003 (employment income: exceptions), in Chapter 4 (exemptions: education and training), after section 254 insert—

"Persons leaving local authority care

254A Apprenticeship bursaries paid to persons leaving local authority care

(1) No liability to income tax arises in respect of a care leaver's apprenticeship bursary payment.

(2) A care leaver's apprenticeship bursary payment is a payment—

(a) payable out of the public revenue,

(b) to a care leaver (see subsection (3)),

(c) made in connection with the person's employment as an apprentice (see subsection (4)), and

(d) in respect of which any conditions specified in regulations made by the Treasury are met.

(3) A person is a care leaver if they are a person—

(a) who is, or was, a child looked after—

(i) by a local authority in England within the meaning of section 22 of the Children Act 1989 (general duty of local authority in relation to children looked after by them);

(ii) by a local authority in Wales within the meaning of the Social Services and Well-being (Wales) Act 2014 (anaw 4) (see section 74 of that Act (child or young person looked after by a local authority));

(iii) by a local authority in Scotland within the meaning of Chapter 1 of Part 2 of the Children (Scotland) Act 1995 (see section 17(6) of that Act (duty of local authority to child looked after by them));

(iv) by an authority in Northern Ireland within the meaning of the Children (Northern Ireland) Order 1995 (S.I. 1995/755 (N.I. 2)) (see Article 25 of that Order (children looked after by an authority: interpretation)), and

(b) in respect of whom any other conditions specified in regulations made by the Treasury are met.

(4) "Apprentice" has the meaning specified in regulations made by the Treasury.

(5) Regulations under this section—

(a) may make provision framed by reference to a scheme (however described or named), or document, as it has effect from time to time,

(b) may make different provision for different purposes,

(c) may make different provision for different areas, and

(d) may make retrospective provision."

(2) The amendment made by this section has effect in relation to the tax year 2020-21 and subsequent tax years.

12 Tax treatment of certain Scottish social security benefits

(1) Table B in section 677(1) of ITEPA 2003 (UK social security benefits wholly exempt from income tax) is amended as follows.

(2) In Part 1 (benefits payable under primary legislation etc), insert each of the following at the appropriate place—

"Disability assistance for children and young people	SS(S)A 2018	Sections 24 and 31"
"Job start	ETA 1973	Section 2".

(3) In Part 2 (benefits payable under regulations), insert the following at the appropriate place—

"Scottish child payment	SS(S)A 2018	Section 79".

(4) The amendments made by this section have effect for the tax year 2020-21 and subsequent tax years.

13 Power to exempt social security benefits from income tax

(1) The Treasury may by regulations amend Chapter 4 or 5 of Part 10 of ITEPA 2003 (social security benefits: exemptions) so as to provide that no liability to income tax arises on social security benefits of a description specified in the regulations.

(2) Regulations under this section may make—
- (a) different provision for different cases;
- (b) retrospective provision;
- (c) incidental or supplementary provision;
- (d) consequential provision (which may include provision amending any provision made by or under the Income Tax Acts).

(3) In section 655 of ITEPA 2003 (structure of Part 10), in subsection (2), at the end insert ";

section 13 of FA 2020 (power to exempt social security benefits from income tax)."

14 Voluntary office-holders: payments in respect of expenses

(1) After section 299A of ITEPA 2003 insert—

"**299B Voluntary office-holders: payments in respect of expenses**

(1) No liability to income tax arises in respect of a payment to a person who holds a voluntary office if the payment is in respect of reasonable expenses incurred in carrying out the duties of that office.

(2) It does not matter whether—
- (a) the payment is an advance payment or a reimbursement;
- (b) the person who makes the payment is the person with whom the office is held.

(3) Subsections (2) and (3) of section 299A apply for the purposes of subsection (1) of this section as they apply for the purposes of subsection (1) of that section."

(2) In section 299A(3)(a) of ITEPA 2003 (voluntary office-holders: compensation for lost employment income) after "payment" insert "(whether an advance payment or a reimbursement)".

(3) The amendments made by this section have effect for the tax year 2020-21 and subsequent tax years.

Loan charge

15 Loan charge not to apply to loans or quasi-loans made before 9 December 2010

(1) In Schedule 11 to F(No.2)A 2017 (employment income provided through third parties: loans etc outstanding on 5 April 2019) in paragraph 1 (person to be treated as taking a relevant step for the purposes of Part 7A of ITEPA 2003 by reason of making a loan or quasi-loan) in sub-paragraph (1)(b) for "6 April 1999" substitute "9 December 2010".

(2) In Schedule 12 to F(No.2)A 2017 (trading income provided through third parties: loans etc outstanding on 5 April 2019) in paragraph 1 (application of sections 23A to 23H of ITTOIA 2005 in relation to certain loans and quasi-loans) in sub-paragraph (2)(a)(i) for "6 April 1999" substitute "9 December 2010".

(3) Part 1 of Schedule 2 makes further amendments to F(No.2)A 2017 in consequence of this section.

16 Election for loan charge to be split over three tax years

(1) Schedule 11 to F(No.2)A 2017 (employment income provided through third parties: loans etc outstanding on 5 April 2019) is amended as follows.

(2) In paragraph 1 (person to be treated as taking a relevant step for the purposes of Part 7A of ITEPA 2003 by reason of making loan or quasi-loan)—

(a) after sub-paragraph (6) insert—

"(6A) Sub-paragraph (4) is subject to paragraph 1A(5).", and

(b) in sub-paragraph (7)—

(i) in the words before paragraph (a) after "paragraph" insert "and paragraph 1A", and

(ii) in paragraph (a) for "the following provisions of this Schedule" substitute "paragraphs 3 to 18".

(3) After paragraph 1 insert—

"1A (1) This paragraph applies where—

(a) a person ("P") is treated as taking a relevant step within paragraph 1 ("the initial step") by reason of making a loan or quasi-loan, and

(b) an election has been made by A for the purposes of this paragraph.

(2) P is treated as taking two further relevant steps for the purposes of Part 7A of ITEPA 2003.

(3) P is treated as taking one of the further steps on the first anniversary of the date on which P is treated as taking the initial step.

(4) P is treated as taking one of the further steps on the second anniversary of the date on which P is treated as taking the initial step.

(5) For the purposes of section 554Z3(1) of ITEPA 2003 (value of relevant step), the initial step and each of the further steps is to be treated as involving a sum of money equal to one third of the amount of the loan or quasi-loan that is outstanding at the time P is treated as taking the initial step.

(6) References in this Schedule and in Part 7A of ITEPA 2003 to a relevant step within paragraph 1A of this Schedule are to be read as references to a relevant step which a person is treated by this paragraph as taking.

(7) An election for the purposes of this paragraph—

(a) may be made at any time before 1 October 2020, and

(b) may be made at a later time if an officer of Revenue and Customs allows it.

(8) But a person who is under a duty imposed by paragraph 35C of this Schedule or paragraph 22 of Schedule 12 may not make an election for the purposes of this paragraph until that duty has been complied with.

(9) An election for the purposes of this paragraph may not be revoked.

(10) A person who has made an election for the purposes of paragraph 1(3A) of Schedule 12 is to be treated as having made an election for the purposes of this paragraph.

(11) The Commissioners for Her Majesty's Revenue and Customs may by regulations provide that sub-paragraph (7)(a) applies to a specified class of persons as if the reference to 1 October 2020 were to such later date as is specified.

(12) In sub-paragraph (11) "specified" means specified in the regulations."

(4) Schedule 12 to F(No.2)A 2017 (trading income provided through third parties: loans etc outstanding on 5 April 2019) is amended as follows.

(5) In paragraph 1 (application of sections 23A to 23H of ITTOIA 2005 in relation to certain loans and quasi-loans)—

(a) in sub-paragraph (1) for the words from "as a" to the end substitute "for the purposes of sections 23A to 23H of ITTOIA 2005 as a relevant benefit that arises immediately before the end of 5 April 2019.",

(b) in sub-paragraph (3)—

(i) in the words before paragraph (a), after "applies" insert "and T has not made an election for the purposes of sub-paragraph (3A)",

(ii) in paragraph (a) for the words from "immediately" to the end substitute "at the time the relevant benefit is treated as arising, and", and

(iii) for paragraphs (b) and (c) substitute—

"(b) where T ceases to carry on the relevant trade before the tax year in which the relevant benefit is treated as arising, as if section 23E(1)(b) were omitted and as if section 23E(1) provided that the relevant benefit amount is treated for income tax purposes as a post-cessation receipt of the trade received in that tax year.", and

(c) after sub-paragraph (3) insert—

"(3A) Where section 23E of ITTOIA 2005 applies in relation to a relevant benefit which is a loan or quasi-loan in relation to which sub-paragraph (2) applies and T has made an election for the purposes of this sub-paragraph, section 23E has effect—

(a) as if the "relevant benefit amount" were one third of the amount of the loan or quasi-loan that is outstanding at the time the relevant benefit is treated as arising,

(b) as if section 23E(1)(a) specified the tax year in which the relevant benefit is treated as arising and each of the two subsequent tax years, and

(c) where T ceases to carry on the relevant trade before any tax year so specified in section 23E(1)(a), as if section 23E(1)(b) were omitted and as if section 23E(1) provided that the relevant benefit amount is to be treated for income tax purposes as a post-cessation receipt of the trade received in that tax year.

(3B) An election for the purposes of sub-paragraph (3A)—

(a) may be made at any time before 1 October 2020, and

(b) may be made at a later time if an officer of Revenue and Customs allows it.

(3C) But a person who is under a duty imposed by paragraph 22 of this Schedule or paragraph 35C of Schedule 11 may not make an election for the purposes of sub-paragraph (3A) until that duty has been complied with.

(3D) An election for the purposes of sub-paragraph (3A) may not be revoked.

(3E) A person who has made an election for the purposes of paragraph 1A of Schedule 11 is to be treated as having made an election for the purposes of sub-paragraph (3A) of this paragraph.

(3F) The Commissioners for Her Majesty's Revenue and Customs may by regulations provide that sub-paragraph (3B)(a) applies to a specified class of persons as if the reference to 1 October 2020 were to such later date as is specified.

(3G) In sub-paragraph (3F) "specified" means specified in the regulations."

(6) Part 2 of Schedule 2 makes amendments in consequence of this section.

17 Loan charge reduced where underlying liability disclosed but unenforceable

(1) In Schedule 11 to F(No.2)A 2017 (employment income provided through third parties: loans etc outstanding on 5 April 2019) after paragraph 1A (as inserted by section 16) insert—

"1B (1) This paragraph applies where—

(a) a person is treated as taking a relevant step within paragraph 1 by reason of making a loan or quasi-loan,

(b) a reasonable case could have been made that for a qualifying tax year ("the relevant year") A was chargeable to income tax on an amount that was referable to the loan or quasi-loan,

(c) at a time when an officer of Revenue and Customs had power to recover (from A or any other person) income tax for the relevant

year in respect of that amount, a qualifying tax return or two or more qualifying tax returns of the same type taken together contained a reasonable disclosure of the loan or quasi-loan, and

(d) as at 6 April 2019 an officer of Revenue and Customs had not taken steps to recover (from A or any other person) income tax for the relevant year in respect of that amount.

(2) But this paragraph does not apply if—

(a) a reasonable case could have been made that for a tax year other than the relevant year ("the alternative year") A was chargeable to income tax on an amount within sub-paragraph (3), and

(b) it is the case that—

(i) on or before 5 April 2019 an officer of Revenue and Customs took steps to recover (from A or any other person) income tax for the alternative year in respect of that amount, or

(ii) the alternative year is not a qualifying tax year.

(3) An amount is within this sub-paragraph if —

(a) it is the same amount as is mentioned in sub-paragraph (1),

(b) it is part of the amount mentioned in sub-paragraph (1), or

(c) it is derived from or represents the whole or part of the amount mentioned in sub-paragraph (1).

(4) Where this paragraph applies, then for the purposes of paragraphs 1(4) and 1A(5) the amount of the loan or quasi-loan that is outstanding is to be taken to be reduced (but not below nil) by the amount mentioned in sub-paragraph (1).

(5) For the purposes of sub-paragraph (1)(c) a qualifying tax return, or two or more qualifying tax returns taken together, contained a reasonable disclosure of the loan or quasi-loan if the return or returns taken together—

(a) identified the loan or quasi-loan,

(b) identified the person to whom the loan or quasi-loan was made in a case where the loan or quasi-loan was made to a person other than A,

(c) identified the relevant arrangements in pursuance of which or in connection with which the loan or quasi-loan was made, and

(d) provided such other information as was sufficient for it to be apparent that a reasonable case could be made that for the relevant year A was chargeable to income tax on an amount that was referable to the loan or quasi-loan.

(6) A reference in sub-paragraph (1)(b), (2) or (5)(d) to A being chargeable to income tax does not include A being chargeable to income tax by reason of section 175 of ITEPA 2003 (benefit of taxable cheap loan treated as earnings).

(7) In this paragraph—

"qualifying tax year" means the tax year 2015-16 and any earlier tax year, and

"qualifying tax return" means —

(a) a return made by A or B under section 8 of TMA 1970 for a qualifying tax year, and any accompanying accounts, statements or documents, or

(b) a return made by B under paragraph 3 of Schedule 18 to FA 1998 for an accounting period that commenced before 6 April 2016,

and a qualifying tax return is of the same type as another if both fall within the same paragraph of this definition."

(2) In Schedule 12 to F(No.2)A 2017 (trading income provided through third parties: loans etc outstanding on 5 April 2019) after paragraph 1 insert—

"1A (1) This paragraph applies where—

(a) a loan or quasi-loan is to be treated for the purposes of sections 23A to 23H of ITTOIA 2005 as a relevant benefit by reason of paragraph 1,

(b) a reasonable case could have been made that for a qualifying tax year ("the relevant year") T was chargeable to income tax on an amount that was referable to the loan or quasi-loan,

(c) at a time when an officer of Revenue and Customs had power to recover (from T or any other person) income tax for the relevant year in respect of that amount, a qualifying tax return or two or more qualifying tax returns taken together contained a reasonable disclosure of the loan or quasi-loan, and

(d) as at 6 April 2019 an officer of Revenue and Customs had not taken steps to recover (from T or any other person) income tax for the relevant year in respect of that amount.

(2) But this paragraph does not apply if—

(a) a reasonable case could have been made that for a tax year other than the relevant year ("the alternative year") T was chargeable to income tax on an amount within sub-paragraph (3), and

(b) it is the case that—

(i) on or before 5 April 2019 an officer of Revenue and Customs took steps to recover (from T or any other person) income tax for the alternative year in respect of that amount, or

(ii) the alternative year is not a qualifying tax year.

(3) An amount is within this sub-paragraph if—

(a) it is the same amount as is mentioned in sub-paragraph (1),

(b) it is part of the amount mentioned in sub-paragraph (1), or

(c) it is derived from or represents the whole or part of the amount mentioned in sub-paragraph (1).

(4) Where this paragraph applies, then for the purposes of paragraph 1(3)(a) and (3A)(a) the amount of the loan or quasi-loan that is outstanding is to be taken to be reduced (but not below nil) by the amount mentioned in sub-paragraph (1).

(5) For the purposes of sub-paragraph (1)(c) a qualifying tax return, or two or more qualifying tax returns taken together, contained a reasonable disclosure of the loan or quasi-loan if the return or returns taken together—

(a) identified the loan or quasi-loan,

(b) identified the person to whom the loan or quasi-loan was made in a case where the loan or quasi-loan was made to a person other than T,

(c) identified the relevant arrangements in pursuance of which or in connection with which the loan or quasi-loan was made, and

(d) provided such other information as was sufficient for it to be apparent that a reasonable case could be made that for the relevant year T was chargeable to income tax on an amount that was referable to the loan or quasi-loan.

(6) In this paragraph—

"qualifying tax year" means the tax year 2015-16 and any earlier tax year, and

"qualifying tax return" means a return made by T under section 8 of TMA 1970 for a qualifying tax year, and any accompanying accounts, statements or documents."

18 Relief from interest on tax payable by a person subject to the loan charge

(1) This section applies where—

(a) a person is chargeable to income tax on any amount by reason of Schedule 11 or 12 to F(No.2)A 2017 or would be so chargeable but for section 15 or 17 of this Act,

(b) before the end of September 2020 the person delivers a return under section 8 of TMA 1970 for the tax year 2018-19, and

(c) at the end of September 2020 the person's self-assessment included in that return is complete and accurate.

(2) If before the end of September 2020 the person discharges their liability to income tax and capital gains tax for the tax year 2018-19—

(a) any amount paid in discharging that liability (other than a payment made on account of income tax for that tax year) is to be taken to not carry interest, and

(b) any amount paid by the person on account of their liability to income tax for the tax year 2019-20 is to be taken to not carry interest.

(3) If before the end of September 2020 the person enters into an agreement with the Commissioners for Her Majesty's Revenue and Customs as to the discharge of their liability to income tax and capital gains tax for the tax year 2018-19—

(a) any amount paid before the end of September 2020 in discharging that liability (other than a payment made on account of income tax for that tax year) is to be taken to not carry interest,

(b) for the purposes of section 101 of FA 2009 the late payment interest start date in respect of any amount paid in accordance with the agreement after the end of September 2020 is 1 October 2020, and

(c) any amount paid by the person on account of their liability to income tax for the tax year 2019-20 is to be taken to not carry interest.

(4) Paragraph (b) of subsection (2) and paragraph (c) of subsection (3) do not apply if at the end of January 2021 the person has neither discharged their liability to income tax and capital gains tax for the tax year 2019-20 nor entered into an agreement with the Commissioners for Her Majesty's Revenue and Customs as to the discharge of that liability.

(5) The Commissioners for Her Majesty's Revenue and Customs may by regulations provide that this section applies to a specified class of persons as if—

(a) the references in this section to the end of September 2020 were to such later time as is specified, and

(b) the reference in subsection (3)(b) to 1 October 2020 were to such later date as is specified.

(6) In subsection (5) "specified" means specified in the regulations.

19 Minor amendments relating to the loan charge

(1) Schedule 11 to F(No.2)A 2017 (employment income provided through third parties: loans etc outstanding on 5 April 2019) is amended as follows.

(2) In paragraph 35C(2)(b) (date by which loan charge information must be provided) for "1 October 2019" substitute "1 October 2020".

(3) In paragraph 45 (meaning of "A" and "B") after "section 554A(1)(a)" insert "and 554AA(1)(a)".

(4) In Schedule 12 to F(No.2)A 2017 (trading income provided through third parties: loans etc outstanding on 5 April 2019) in paragraph 22(2)(b) (date by which loan charge information must be provided) for "1 October 2019" substitute "1 October 2020".

20 Repaying sums paid to HMRC under agreements relating to certain loans etc

(1) The Commissioners for Her Majesty's Revenue and Customs ("the Commissioners") must establish a scheme under which they may on an application made to them before 1 October 2021—

(a) repay the whole or part of a qualifying amount paid or treated as paid to them under a qualifying agreement, or

(b) waive the payment of the whole or part of a qualifying amount due to be paid to them under a qualifying agreement.

(2) An agreement is a qualifying agreement if—

(a) it is an agreement with the Commissioners,

(b) it is made on or after 16 March 2016 and before 11 March 2020, and

(c) it imposes an obligation on any party to the agreement to pay an amount of income tax that is referable (directly or indirectly) to a qualifying loan or quasi-loan.

(3) An amount paid, treated as paid or due to be paid under a qualifying agreement is a qualifying amount if—

(a) the amount is referable (directly or indirectly) to a qualifying loan or quasi-loan, and

(b) the amount is one that an officer of Revenue and Customs had no power to recover at the time the agreement was made.

(4) But an amount that is referable (directly or indirectly) to a qualifying loan or quasi-loan made on or after 9 December 2010 is not a qualifying amount by reason of subsection (3) unless at a time when an officer of Revenue and Customs had power to recover the amount a tax return, or two or more tax returns of the same type taken together, contained a reasonable disclosure of the loan or quasi-loan.

(5) For the purposes of subsection (4), a tax return, or two or more tax returns taken together, contained a reasonable disclosure of the loan or quasi-loan if the return or returns taken together—

(a) identified the qualifying loan or quasi-loan,

(b) identified the person to whom the qualifying loan or quasi-loan was made,

(c) identified any arrangements in pursuance of which, or in connection with which, the qualifying loan or quasi-loan was made, and

(d) provided such other information as was sufficient for it to be apparent that a reasonable case could have been made that the amount concerned was payable to the Commissioners.

(6) An amount paid, treated as paid or due to be paid under a qualifying agreement is also a qualifying amount if it is interest on another qualifying amount paid, treated as paid or due to be paid under that agreement.

(7) A loan or quasi-loan is a qualifying loan or quasi-loan if it is made on or after 6 April 1999 and before 6 April 2016.

(8) In this section—

"loan" and "quasi-loan" have the meaning they have in Part 1 of Schedule 11 to F(No.2)A 2017 and Schedule 12 to that Act (see paragraph 2 of each of those Schedules), and

"tax return" means—

(a) a return made under section 8 of TMA 1970 and any accompanying accounts, statements or documents, or

(b) a return made under paragraph 3 of Schedule 18 to FA 1998,

and a tax return is of the same type as another if both fall within the same paragraph of this definition.

(9) Section 21 makes further provision in connection with the scheme established under this section.

21 Operation of the scheme

(1) The scheme may make provision—

(a) in relation to all qualifying agreements or specified descriptions of qualifying agreements only, and

(b) in relation to all qualifying amounts or specified descriptions of qualifying amounts only.

(2) The scheme may make provision for an amount that is not a qualifying amount by reason only of subsection (4) of section 20 to be treated in certain cases as if it were a qualifying amount.

(3) The scheme may make provision about the making of applications under the scheme, including—

(a) provision as to who is or is not eligible to apply,
(b) provision as to the conditions that must be met in order to apply,
(c) provision as to the form, manner and content of an application, and
(d) provision as to information or evidence to be provided in support of an application.

(4) The scheme may make provision about the determination of applications under the scheme, including—
(a) provision in accordance with which the Commissioners must determine whether to exercise their discretion to repay or waive the payment of a qualifying amount, and
(b) provision in accordance with which the Commissioners must determine how much of any qualifying amount to repay or waive.

(5) The scheme may make provision authorising the Commissioners to make a repayment or waiver conditional—
(a) on the applicant or any other person agreeing to the termination or variation of the qualifying agreement concerned,
(b) on the applicant or any other person making a new agreement with the Commissioners, or
(c) on the satisfaction of such other conditions as may be specified or determined by the Commissioners.

(6) The scheme may provide that in making any determination under the scheme the Commissioners may or must take account of—
(a) the effect the qualifying agreement concerned has had, or may have, on the applicant or any other person (for example, the effect it has had, or may have, on any liability, relief or benefit),
(b) the effect any repayment or waiver would have on the applicant or any other person (for example, the effect it would have on any liability, relief or benefit), and
(c) such other matters as may be specified.

(7) The scheme may make provision as to the effect, if any, a repayment or waiver is to have on—
(a) the entitlement of the applicant, or any other person, to a payment, benefit or relief under an enactment,
(b) the amount or value of such a payment, benefit or relief,
(c) any liability the applicant, or any other person, may have under an enactment, or
(d) the extent of any such liability.

(8) The scheme may make provision for or in connection with the recovery by the Commissioners of—
(a) any amount repaid under the scheme in circumstances where the Commissioners consider that the repayment should not have been paid, or
(b) any amount the payment of which has been waived under the scheme in circumstances where the Commissioners consider that the waiver should not have been granted.

(9) The scheme may make—
(a) different provision for different purposes or cases,

(b) provision generally or for specific cases,

(c) provision subject to exceptions, and

(d) incidental, supplementary, consequential or transitional provision.

(10) The scheme may be amended by the Commissioners from time to time.

(11) An amendment making provision of a kind authorised by subsection (7) may have effect in relation to a repayment paid or waiver granted before the amendment comes into force, but only if the principal effect of the amendment is to benefit persons other than the Commissioners.

(12) In this section—

"the scheme" means the scheme established under section 20,

"specified" means specified in the scheme, and

"the Commissioners", "qualifying amount" and "qualifying agreement" have the meaning they have in section 20.

Pensions

22 Annual allowance: tapered reduction

(1) In Part 4 of FA 2004 (pension schemes), section 228ZA (annual allowance charge: tapered reduction of annual allowance) is amended as follows.

(2) For subsection (1) substitute—

"(1) If the individual is a high-income individual for the tax year, the amount of the annual allowance for the tax year in the case of the individual is the amount specified for the tax year by or under section 228 reduced (but not below £4,000) by—

$$(\mathrm{AI} - £240,000) \times \frac{1}{2}$$

where AI is the individual's adjusted income for the tax year."

(3) In subsection (3)—

(a) in paragraph (a), for "£150,000" substitute "£240,000";

(b) in paragraph (b), for "£150,000 minus A" substitute "£240,000 minus the amount specified for the tax year by or under section 228".

(4) The amendments made by this section have effect for the tax year 2020-21 and subsequent tax years.

Chargeable gains

23 Entrepreneurs' relief

Schedule 3 makes provision about relief under Chapter 3 of Part 5 of TCGA 1992.

24 Relief on disposal of private residence

(1) TCGA 1992 is amended as follows.

(2) In section 222 (relief on disposal of private residence)—

(a) after subsection (5) insert—

"(5A) But a notice or further notice under subsection (5)(a) determining which of 2 or more residences is an individual's main residence for any period may be given more than 2 years from the beginning of the period if during the period the individual has not held an interest of more than a negligible market value in more than one of the residences.",

(b) in subsection (7)(a) (disposal of dwelling-house to a spouse or civil partner)—

(i) for "the dwelling-house" substitute "a dwelling-house", and

(ii) omit "which is their only or main residence",

(c) in subsection (8A) (when living accommodation is job-related for a person) after paragraph (b) insert "; or

(c) an armed forces accommodation allowance for or towards costs of the accommodation is paid to, or in respect of, the person or the person's spouse or civil partner", and

(d) in subsection (8D) (interpretation) after paragraph (b) insert "; and

(c) "armed forces accommodation allowance" means an allowance which is exempt from income tax by reason of section 297D of ITEPA 2003."

(3) In section 223 (amount of relief)—

(a) in subsections (1) and (2)(a) for "18 months" substitute "9 months", and

(b) omit subsection (4).

(4) After section 223 insert—

"**223ZA Amount of relief: individual's residency delayed by certain events**

(1) Subsection (4) below applies where—

(a) a gain to which section 222 applies accrues to an individual on the disposal of, or of an interest in, a dwelling-house or part of a dwelling-house,

(b) the time at which the dwelling-house or the part of the dwelling-house first became the individual's only or main residence ("the moving-in time") was within the first 24 months of the individual's period of ownership,

(c) at no time during the period beginning with the individual's period of ownership and ending with the moving-in time was the dwelling-house or the part of the dwelling-house another person's residence, and

(d) during the period beginning with the individual's period of ownership and ending with the moving-in time a qualifying event occurred.

(2) The following are qualifying events—

(a) the completion of the construction, renovation, redecoration or alteration of the dwelling-house or the part of the dwelling-house mentioned in subsection (1);

(b) the disposal by the individual of, or of an interest in, any other dwelling-house or part of a dwelling-house that immediately before the disposal was the individual's only or main residence.

(3) In determining whether and, if so, when a qualifying event within subsection (2)(b) occurred, ignore section 28 (time of disposal where asset disposed of under contract).

(4) For the purposes of subsections (1) and (2) of section 223, as they have effect in relation to the gain, the dwelling-house or the part of the dwelling-house mentioned in subsection (1) above is to be treated as having been the individual's only or main residence from the beginning of the individual's period of ownership until the moving-in time."

(5) After section 223A insert—

"**223B Additional relief: part of private residence let out**

(1) Where—

(a) a gain to which section 222 applies accrues to an individual on the disposal of, or of an interest in, a dwelling-house or part of a dwelling-house, and

(b) at any time in the individual's period of ownership the condition in subsection (2) is met in respect of the dwelling-house,

the part of the gain that is within subsection (3) is a chargeable gain only to the extent, if any, to which it exceeds the amount in subsection (4).

(2) The condition is that—

(a) part of the dwelling-house is the individual's only or main residence, and

(b) another part of the dwelling-house is being let out by the individual as residential accommodation.

(3) The part of the gain that is within this subsection is the part that (but for subsection (1)) would be a chargeable gain by reason of the fact that, at the times in the individual's period of ownership when the condition in subsection (2) is met, the individual's only or main residence does not include the part of the dwelling-house that is being let out as residential accommodation.

(4) The amount is whichever is the lesser of—

(a) the amount of the gain that is not a chargeable gain by virtue of section 223, and

(b) £40,000.

(5) Where by reason of section 222(7)(a) the individual's period of ownership mentioned in subsection (1) begins with the beginning of the period of ownership of another person, any question whether the condition in subsection (2) is met at a time that is within both those periods of ownership

is to be determined as if the references in subsection (2) to the individual were to that other person."

(6) In section 224 (amount of relief: further provisions)—

(a) in the heading for "Amount of relief" substitute "Relief under sections 223 and 223B",

(b) in subsection (1)—

(i) for "the gain", in the first place those words occur, substitute "a gain to which section 222 applies",

(ii) for "section 223" substitute "sections 223 and 223B",

(c) in subsection (2) for "section 223" substitute "sections 223 and 223B", and

(d) in subsection (3) for "Section 223" substitute "Sections 223 and 223B".

(7) In section 225E (disposals by disabled persons or persons in care homes etc) in subsection (4) for "18 months" substitute "9 months".

(8) In section 248E(6) (relief on disposal of joint interests in private residence) for "and 223" substitute ", 223 and 223B".

(9) The amendment made by subsection (2)(a) has effect in relation to a notice given on or after 6 April 2020.

(10) The amendments made by subsection (2)(b) have effect in a case where the disposal or death mentioned in subsection (7)(a) of section 222 of TCGA 1992 is made or occurs on or after 6 April 2020.

(11) The amendments made by subsections (3) to (8) have effect in relation to disposals made on or after 6 April 2020.

25 Corporate capital losses

Schedule 4 makes provision relating to capital losses made by companies.

26 Quarterly instalment payments

(1) The Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175) are amended as follows.

(2) At the end of regulation 3 (large and very large companies) insert—

"(11) A company which—

(a) is chargeable to corporation tax for an accounting period only because of a chargeable gain accruing to the company on the disposal of an asset, and

(b) would, apart from this paragraph, be a very large company by virtue of this regulation in respect of the accounting period,

is to be treated for the purposes of these regulations as if it were a large company by virtue of paragraph (1)."

(3) In regulation 3(10), in the words before paragraph (a), after "12 months" insert "and paragraph (11) does not apply".

(4) The amendments made by this section have effect in relation to accounting periods beginning on or after 11 March 2020.

27 Relief from CGT for loans to traders

In section 253(1)(b) of TCGA 1992 (which provides that a loan qualifies for relief only if the borrower is UK resident), at the beginning insert "if the loan is made before 24 January 2019,".

Reliefs for business

28 Research and development expenditure credit

(1) In section 104M(3) of CTA 2009 (amount of R&D expenditure credit) for "12%" substitute "13%".

(2) The amendment made by this section has effect in relation to expenditure incurred on or after 1 April 2020.

29 Structures and buildings allowances: rate of relief

(1) Part 2A of CAA 2001 (structures and buildings allowances) is amended as follows.

(2) In section 270AA (application of Part 2A)—
- (a) in subsection (2) (entitlement to an allowance), at the beginning of paragraph (b) insert "the beginning of",
- (b) in subsection (2)(b)(ii), for "50 years" substitute "33 1/3 years", and
- (c) in subsection (5) (basic rule: allowance for a chargeable period of one year), for "2%" substitute "3%".

(3) In section 270EA (proportionate adjustment in certain cases), in subsection (3)—
- (a) in paragraph (a), for "(b)" substitute "(b)(i)", and
- (b) after paragraph (a) (but before the "or") insert—
  - "(aa) the period mentioned in section 270AA(2)(b)(ii) expires part way through the chargeable period,".

(4) In section 270EB (multiple uses), in subsection (2), for "2%" substitute "3%".

(5) After section 270GC (but before Chapter 8) insert—

"CHAPTER 7A

ADJUSTMENT FOR PRE-APRIL 2020 ALLOWANCE

270GD Adjustment for pre-April 2020 allowance

(1) This section applies if—
- (a) on the relevant date, a person is entitled to an allowance under this Part by reference to qualifying expenditure incurred in relation to a building or structure,
- (b) the person does not dispose of the relevant interest in the building or structure before the end of the period mentioned in section 270AA(2)(b)(ii) (the "allowance period"), and

(c) at the end of the allowance period, the person is entitled to an allowance under this Part by reference to the qualifying expenditure mentioned in paragraph (a).

(2) The person is entitled to an additional amount of allowance for the chargeable period in which the allowance period ends.

(3) The additional amount of the allowance is 1% of the qualifying expenditure multiplied by the following fraction—

$$D/365$$

where D is the number of days during the period beginning with 29 October 2018 and ending with the relevant date in respect of which an allowance under this Part by reference to the qualifying expenditure was made to the person.

(4) For the purposes of this section "the relevant date" means—

(a) for income tax purposes, 5 April 2020, or

(b) for corporation tax purposes, 31 March 2020."

(6) The amendments made by this section are treated as having come into force—

(a) for income tax purposes, on 6 April 2020, or

(b) for corporation tax purposes, on 1 April 2020,

and in subsection (7) references to the commencement date are to be read accordingly.

(7) For the purposes of subsection (6), in relation to a chargeable period beginning before the commencement date and ending on or after that date, Part 2A of CAA 2001 applies as if—

(a) the part of the chargeable period falling before the commencement date, and

(b) the part of the chargeable period falling on or after that date,

were separate chargeable periods.

30 Structures and buildings allowances: miscellaneous amendments

Schedule 5 makes miscellaneous amendments of CAA 2001 in relation to structures and buildings allowances.

31 Intangible fixed assets: pre-FA 2002 assets etc

(1) Part 8 of CTA 2009 (intangible fixed assets) is amended as follows.

(2) In section 711 (overview of Part 8) in subsection (8) after paragraph (fa) (but before the "and" at the end of that paragraph) insert—

"(fb) Chapter 16A (debits in respect of assets that were pre-FA 2002 assets etc),

(fc) Chapter 16B (fungible assets),".

(3) In section 845 (transfer between company and related party treated as at market value) in subsection (4) (exceptions)—

(a) omit the "and" at the end of paragraph (d), and

(b) at the end of paragraph (e) insert ", and

(f) sections 900E and 900F (special rules in respect of assets that were pre-FA 2002 assets etc)".

(4) In section 849AB (grant of licence or other right treated as at market value) in subsection (6) (exceptions)—

(a) omit the "and" at the end of paragraph (a), and

(b) at the end of paragraph (b) insert ", and

(c) section 900F (special rules in respect of assets that were pre-FA 2002 assets etc)".

(5) Omit section 858 (fungible assets) and the italic heading before that section.

(6) In section 882 (application of Part 8 to assets created or acquired on or after 1 April 2002) for subsection (1) substitute—

"(1) The general rule is that this Part applies to an intangible fixed asset of a company ("the company") only if one or more of the conditions in subsections (1A) to (1D) is met.

(1A) The condition in this subsection is that the asset is created by the company on or after 1 April 2002.

(1B) The condition in this subsection is that the asset is acquired by the company during the period beginning with 1 April 2002 and ending with 30 June 2020 and either—

(a) it is acquired from a person who at the time of the acquisition is not a related party in relation to the company, or

(b) it is acquired in case A (in subsection (3)), case B (in subsection (4)) or case C (in subsection (5)) from a person who at the time of the acquisition is a related party in relation to the company.

(1C) The condition in this subsection is that the asset is acquired by the company on or after 1 July 2020.

(1D) The condition in this subsection is that the asset is held by the company immediately before 1 July 2020 and at that time the company is not within the charge to corporation tax in respect of the asset.

(1E) But the condition in subsection (1D) is to be treated as not met if—

(a) at any time during the period beginning with 19 March 2020 and ending with 30 June 2020 the asset is a pre-FA 2002 asset in the hands of any company that is within the charge to corporation tax in respect of the asset, and

(b) after that time but during that period the asset is not acquired by any other company from a person who at the time of the acquisition is not a related party in relation to that other company."

(7) In section 883 (assets treated as created or acquired when expenditure incurred)—

(a) after subsection (3) insert—

"(3A) An intangible asset is treated as acquired on or after 1 July 2020 so far as expenditure on its acquisition is incurred on or after that date.

(3B) An intangible asset is treated as acquired during the period beginning with 1 April 2002 and ending with 30 June 2020 so far as expenditure on its acquisition is incurred during that period.

(3C) An intangible asset is treated as acquired during the period beginning with 19 March 2020 and ending with 30 June 2020 so far as expenditure on its acquisition is incurred during that period.",

(b) in subsection (4)—

(i) for "whether" substitute "when", and

(ii) omit "on or after 1 April 2002", and

(c) for subsection (5) substitute—

"(5) If by reason of any of subsections (3) to (3C) of this section this Part would apply to an intangible fixed asset of a company to a limited extent only, the asset is to be treated as if it consisted of two separate assets—

(a) one asset being an asset to which this Part applies, and

(b) one asset being an asset to which the alternative enactments apply."

(8) Omit section 890 (fungible assets: application of section 858) and the italic heading before that section.

(9) Omit section 891 (realisation and acquisition of fungible assets).

(10) In section 892 (certain assets acquired on transfer of business)—

(a) in the heading at the end insert "or transfer within a group",

(b) in subsection (2) omit "and" at the end of paragraph (b),

(c) in subsection (2) after paragraph (c) insert ", and

(d) section 171 of that Act (transfers within a group)", and

(d) after subsection (4) insert—

"(5) If the transfer mentioned in subsection (1) occurred before 1 July 2020, this section applies as if paragraph (d) of subsection (2) were omitted."

(11) In section 893 (assets whose value derives from pre-2002 assets) in subsection (1)(a) for "on or after 1 April 2002" substitute "during the period beginning with 1 April 2002 and ending with 30 June 2020".

(12) In section 895 (assets acquired in connection with disposals of pre-FA 2002 assets) in subsection (1)(b) at the beginning insert "at any time before 1 July 2020".

(13) After Chapter 16 insert—

"CHAPTER 16A

DEBITS IN RESPECT OF ASSETS THAT WERE PRE-FA 2002 ASSETS ETC

Introduction

900A Introduction

(1) This Chapter contains special rules affecting the debits to be brought into account by a company for tax purposes in respect of an intangible fixed asset that is a restricted asset.

(2) Sections 900B to 900D make provision determining when an intangible fixed asset of a company is a restricted asset for the purposes of this Chapter.

(3) Sections 900E and 900F contain the special rules.

(4) The following sections contain supplementary provisions—
- (a) section 900G (meaning of relieving acquisition),
- (b) section 900H (when two persons are related), and
- (c) section 900I (acquisition of asset in pursuance of an unconditional obligation).

When an intangible fixed asset is a restricted asset

900B When an intangible fixed asset is a restricted asset: the first case

(1) An intangible fixed asset of a company is a restricted asset if—
- (a) the company acquired the asset on or after 1 July 2020,
- (b) the company acquired the asset from a person who at the time of the acquisition was a related party in relation to the company, and
- (c) the asset is within subsection (2) or (3).

(2) The asset is within this subsection if—
- (a) the asset was a pre-FA 2002 asset in the hands of any company on 1 July 2020, and
- (b) at no time on or after 1 July 2020 has the asset been the subject of a relieving acquisition.

(3) The asset is within this subsection if—
- (a) the asset was created before 1 April 2002,
- (b) immediately before 1 July 2020 the asset was held by a person other than a company, and
- (c) at no time on or after 1 July 2020 has the asset been the subject of a relieving acquisition.

(4) But the asset is not within subsection (3) if the person mentioned in that subsection ("the intermediary") acquired the asset on or after 1 April 2002 from a person ("the third party") who meets the conditions in subsections (5), (6) and (7).

(5) The third party meets the condition in this subsection if—
- (a) the third party is not a company, or
- (b) the third party is a company in relation to which the intermediary is not a related party at the time of the intermediary's acquisition.

(6) The third party meets the condition in this subsection if at the time of the intermediary's acquisition the third party is not a related party in relation to a company in relation to which the intermediary is a related party.

(7) The third party meets the condition in this subsection if at the time of the acquisition of the asset by the company mentioned in subsection (1) the third party is not a related party in relation to that company.

900C When an intangible fixed asset is a restricted asset: the second case

(1) An intangible fixed asset of a company ("the asset concerned") is a restricted asset if—
- (a) the company acquired the asset concerned on or after 1 July 2020,
- (b) the company acquired the asset concerned from a person who at the time of the acquisition was a related party in relation to the company, and
- (c) the asset concerned is within subsection (2).

(2) The asset concerned is within this subsection if—
- (a) the asset concerned was created on or after 1 July 2020,
- (b) at no time has the asset concerned been the subject of a relieving acquisition,
- (c) the value of the asset concerned derives in whole or in part from another asset ("the other asset"), and
- (d) the other asset was a pre-FA 2002 asset or a restricted asset in the hands of any company on the date the asset concerned was created.

(3) The condition in subsection (2)(d) is to be treated as met if—
- (a) the other asset was held by a person other than a company on the date the asset concerned was created,
- (b) on the date the asset concerned was created that person was a related party in relation to a company, and
- (c) the other asset would have been a pre-FA 2002 asset or a restricted asset in the hands of that company on the date the asset concerned was created had that company acquired the other asset from that person immediately before that date.

(4) For the purposes of this section the cases in which the value of an asset may be derived from any other asset include any case where—
- (a) assets have been merged or divided,
- (b) assets have changed their nature, or
- (c) rights or interests in or over assets have been created or extinguished.

900D When an intangible fixed asset is a restricted asset: the third case

(1) An intangible fixed asset of a company ("the asset concerned") is a restricted asset if—

(a) the company acquired the asset concerned on or after 1 July 2020, and

(b) the asset concerned is within subsection (2).

(2) The asset concerned is within this subsection if—

(a) the asset concerned was acquired by any company on or after 1 July 2020 directly or indirectly as a consequence of, or otherwise in connection with, the realisation by another person of an asset ("the other asset"),

(b) that company and that other person were related parties at the time of the realisation of the other asset,

(c) the other asset was a pre-FA 2002 asset or a restricted asset in the hands of any company at any time during the period beginning with 1 July 2020 and ending with the time of the realisation mentioned in paragraph (a),

(d) the other asset was not the subject of a relieving acquisition at any time during the period beginning with 1 July 2020 and ending with the time of the realisation mentioned in paragraph (a), and

(e) the asset concerned has not been the subject of a relieving acquisition at any time after the realisation mentioned in paragraph (a).

(3) The condition in subsection (2)(c) is to be treated as met if—

(a) immediately before 1 July 2020 the other asset was held by a person that was not a company,

(b) immediately before 1 July 2020 that person was a related party in relation to a company, and

(c) the other asset would have been a pre-FA 2002 asset in the hands of that company on 1 July 2020 had that company acquired the asset from that person immediately before that date.

(4) For the purposes of subsection (2) it does not matter whether—

(a) the other asset is the same as the asset concerned,

(b) the asset concerned is acquired at the time of the realisation of the other asset, or

(c) the asset concerned is acquired by merging assets or otherwise.

The special rules

900E Special rule: section 900B case

(1) This section applies in respect of a restricted asset of a company if it is a restricted asset by reason of section 900B.

(2) If the company was the first company to acquire the asset on or after 1 July 2020, the relevant Chapters of this Part have effect as if the company acquired the asset at no cost.

(3) If the company was not the first company to acquire the asset on or after 1 July 2020, the relevant Chapters of this Part have effect as if the company acquired the asset for the adjusted amount.

(4) The adjusted amount is—

$$A - B$$

where—

A is the amount of consideration—

(a) for which the company actually acquired the asset, or

(b) if different, for which it would (ignoring this section) be treated for the purposes of the Taxes Acts as having acquired the asset, and

B is the market value of the asset on the date it was first acquired by a company on or after 1 July 2020.

(5) Where B is greater than A the adjusted amount is nil.

(6) In this section—

"market value", in relation to an asset, means the price the asset might reasonably be expected to fetch on a sale in the open market, and

"the relevant Chapters of this Part" means—

(a) Chapter 3 (debits in respect of intangible fixed assets),

(b) Chapter 15 (adjustments on change of accounting policy), and

(c) Chapter 5 (calculation of tax written-down value) in so far as it has effect for the purposes of Chapters 3 and 15.

900F Special rule: section 900C or 900D case

(1) This section applies in respect of a restricted asset of a company if it is a restricted asset by reason of section 900C or 900D.

(2) The relevant Chapters of this Part have effect as if the company acquired the asset for the adjusted amount.

(3) The adjusted amount is calculated as follows—

Step 1

Find the amount—

(a) for which the company actually acquired the asset, or

(b) if different, for which it would (ignoring this section) be treated for the purposes of the Taxes Acts as having acquired the asset.

Step 2

Deduct from the amount found at Step 1 such proportion of the notional deduction amount for the relevant other asset or each relevant other asset as is just and reasonable in the circumstances.

(4) Where the deduction at Step 2 results in a negative value the adjusted amount is nil.

(5) In subsection (3)—

"relevant other asset" means an asset by reference to which the conditions in paragraphs (c) and (d) of section 900C(2) or (as the case may be) the conditions in section 900D(2) were met, and

"the notional deduction amount", in relation to a relevant other asset, means—

(a) in a case where section 900E(2) would have applied had the company acquired the relevant other asset instead of the restricted asset, an amount equal to the market value of the relevant other asset at the time the restricted asset was acquired, and

(b) in a case where section 900E(3) would have applied had the company acquired the relevant other asset instead of the restricted asset, an amount equal to the market value of the relevant other asset at the time it was first acquired by a company on or after 1 July 2020, and

(c) in a case where subsection (2) of this section would have applied had the company acquired the relevant other asset instead of the restricted asset, the amount that would have been deducted at step 2 of subsection (3) of this section if the company had acquired the relevant other asset instead of the restricted asset.

(6) In this section "market value" and "the relevant Chapters of this Part" have the same meaning as in section 900E.

Supplementary provisions

900G Meaning of "relieving acquisition"

For the purposes of this Chapter, an asset is the subject of a relieving acquisition if it is acquired by a company from a person who at the time of the acquisition is not a related party in relation to the company.

900H Supplementary provision about when two persons are related

(1) References in this Chapter to one person being a related party in relation to another person are to be read as including references to the participation condition being met as between those persons.

(2) References in subsection (1) to a person include a firm in a case where, for section 1259 purposes, references in this Chapter to a company are read as references to the firm.

(3) In subsection (2) "section 1259 purposes" means the purposes of determining under section 1259 the amount of profits or losses to be allocated to a partner in a firm.

(4) Section 148 of TIOPA 2010 (when the participation condition is met) applies for the purposes of subsection (1) as it applies for the purposes of section 147(1)(b) of TIOPA 2010.

900I Acquisition of asset in pursuance of an unconditional obligation

(1) A company that acquires an intangible fixed asset in pursuance of an unconditional obligation under a contract is to be treated for the purposes of this Chapter as having acquired the asset on the date on which the company became subject to that obligation or (if later) the date on which that obligation became unconditional.

(2) An obligation is unconditional if it may not be varied or extinguished by the exercise of a right (whether under contract or otherwise).

CHAPTER 16B

FUNGIBLE ASSETS

900J Fungible assets: general

(1) For the purposes of this Part—
- (a) fungible assets of the same kind that are held by the same person in the same capacity are treated as indistinguishable parts of a single asset,
- (b) that asset is treated as growing as additional assets of the same kind are created or acquired, and
- (c) that asset is treated as diminishing as some of the assets are realised.

(2) In this Part "fungible assets" means assets of a nature to be dealt in without identifying the particular assets involved.

900K Fungible assets: pre-FA 2002 assets and restricted assets

(1) For the purposes of section 900J—
- (a) pre-FA 2002 assets,
- (b) restricted assets, and
- (c) standard intangible fixed assets,

are to be regarded as assets of different kinds.

(2) If section 900J applies (whether or not it is a case where subsection (1) of this section has effect)—
- (a) a single asset comprising pre-FA 2002 assets is treated as itself being a pre-FA 2002 asset,
- (b) a single asset comprising restricted assets is treated as itself being a restricted asset, and
- (c) a single asset comprising standard intangible fixed assets is treated as itself being a standard intangible fixed asset.

900L Realisation of fungible assets: pre-FA 2002 assets and restricted assets

(1) This section applies if—
- (a) a company realises a fungible asset, and

(b) apart from subsection (1) of section 900K, the asset would be treated as part of a single asset comprising more than one of the kinds of asset referred to in that subsection.

(2) The realisation is treated—

(a) as diminishing a single asset of the company comprising pre-FA 2002 assets in priority to diminishing a single asset of the company comprising restricted assets or a single asset of the company comprising standard intangible fixed assets, and

(b) as diminishing a single asset of the company comprising restricted assets in priority to diminishing a single asset of the company comprising standard intangible fixed assets.

900M Acquisition of fungible assets: pre-FA 2002 assets and restricted assets

(1) Fungible assets acquired by a company that would not otherwise be treated as pre-FA 2002 assets are so treated so far as they are identified, in accordance with the following rules, with pre-FA 2002 assets realised by the company.

(2) Fungible assets acquired by a company that would not otherwise be treated as pre-FA 2002 assets or restricted assets are to be treated as restricted assets so far as they are identified, in accordance with the following rules, with restricted assets realised by the company.

(3) Rule 1 is that assets acquired are identified with pre-FA 2002 assets or restricted assets of the same kind realised by the company within the period beginning 30 days before and ending 30 days after the date of the acquisition.

(4) The reference in subsection (3) to assets "of the same kind" is to assets that are, or but for section 900K(1) would be, treated as part of a single asset because of section 900J.

(5) Rule 2 is that assets realised earlier are identified before assets realised later.

(6) Rule 3 is that assets acquired earlier are identified before assets acquired later.

900N Debits in respect of a single asset comprising restricted assets

(1) This section applies in respect of a single asset of a company that comprises restricted assets (and is itself treated as a restricted asset by reason of section 900K(2)(b)).

(2) The relevant Chapters of this Part have effect as if the company acquired the single asset for the sum of the amounts for which the company would have been treated for the purposes of those Chapters as having acquired each of the restricted assets that comprises the single asset.

(3) In this section "the relevant Chapter of this Part" has the meaning given by section 900E(6).

900O Interpretation

In this Chapter—

"restricted asset" has the same meaning as in Chapter 16A, and

"standard intangible fixed asset" means an intangible fixed asset that is neither a pre-FA 2002 asset nor a restricted asset."

(14) The amendments made by this section have effect in relation to accounting periods beginning on or after 1 July 2020.

(15) For the purposes of subsection (14), an accounting period beginning before, and ending on or after, 1 July 2020 is to be treated as if so much of the accounting period as falls before that date, and so much of the accounting period as falls on or after that date, were separate accounting periods.

Miscellaneous measures affecting companies

32 Non-UK resident companies carrying on UK property businesses etc

Schedule 6 makes minor amendments (which arise in consequence of the provision made by Schedule 1 or 5 to FA 2019) in relation to non-UK resident companies that carry on UK property businesses or have other income relating to land in the United Kingdom.

33 Surcharge on banking companies: transferred-in losses

(1) Chapter 4 of Part 7A of CTA 2010 (surcharge on banking companies) is amended as follows.

(2) In section 269D (overview of Chapter), after subsection (4) insert—

"(4A) Section 269DCA defines "non-banking transferred-in loss relief" for the purposes of calculating a company's surcharge profits."

(3) In section 269DA (surcharge on banking companies), in subsection (2) (calculation of "surcharge profits")—

(a) in the formula, after "NBPLR +" insert "NBTILR +";

(b) after the definition of "NBPLR" insert—

""NBTILR" is the amount (if any) of non-banking transferred-in loss relief (see section 269DCA);".

(4) In section 269DC (meaning of "non-banking or pre-2016 loss relief")—

(a) in subsection (13) (meaning of "a non-banking or pre-2016 carried-forward capital loss")—

(i) in paragraph (a), omit "or as a result of a non-banking loss transfer";

(ii) in paragraph (b), for "8(1)(b)" substitute "2A(1)(b)";

(b) omit subsections (14) and (15) (meaning of "non-banking loss transfer" and "non-banking company").

(5) After section 269DC insert—

"**269DCA Meaning of "non-banking transferred-in loss relief"**

(1) In section 269DA(2), "non-banking transferred-in loss relief" means the sum of any amounts that are deducted under section 2A of TCGA 1992 in determining the taxable total profits of the company of the chargeable

accounting period in respect of an allowable loss, or any part of an allowable loss, that accrued to the company as a result of a non-banking loss transfer.

(2) 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.

(3) In this section "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)."

(6) The amendments made by this section have effect in relation to an allowable loss, or any part of an allowable loss, deducted from a chargeable gain accruing on a disposal made on or after 11 March 2020.

34 CT payment plans for tax on certain transactions with EEA residents

Schedule 7 makes provision for the deferral of the payment of corporation tax arising in connection with certain transactions involving companies resident in an EEA state.

35 Changes to accounting standards affecting leases

(1) Schedule 14 to FA 2019 (leases: changes to accounting standards etc) is amended as follows.

(2) In paragraph 13 (cases where asset first recognised for period of account beginning on or after 1 January 2019), for sub-paragraph (1) substitute—

"(1) This paragraph applies if the first period of account for which the right-of-use asset falls (or would fall) to be recognised for accounting purposes in the accounts of the lessee begins on or after 1 January 2019 (referred to in the following provisions of this paragraph as "the first period of account")."

(3) For paragraph 14 (cases where asset first recognised for a period of account beginning before 1 January 2019) substitute—

"14 (1) This paragraph applies if the first period of account for which the right-of-use asset falls (or would fall) to be recognised for accounting purposes in the accounts of the lessee begins before 1 January 2019.

(2) The change of basis provisions and this Part of this Schedule have effect—

(a) as if there were a change of accounting policy with respect of the accounts of the lessee for the first period of account beginning on or after 1 January 2019, and

(b) as if that period of account were the first period of account for which the right-of-use asset falls (or would fall) to be recognised for accounting purposes in the accounts of the lessee."

(4) Schedule 14 to FA 2019 has effect, and is to be deemed always to have had effect, with the amendments made by this section.

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

(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

(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

(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.

PART 2

DIGITAL SERVICES TAX

Introduction

39 Digital services tax: introduction

(1) A tax (to be known as "digital services tax") is charged in accordance with this Part on UK digital services revenues arising to a person in an accounting period.

(2) The Commissioners for Her Majesty's Revenue and Customs (in this Part referred to as "the Commissioners") are responsible for the collection and management of digital services tax.

(3) In this Part—
- (a) sections 40 to 45 define "UK digital services revenues" and other key expressions;
- (b) sections 46 to 51 contain the charge to digital services tax;
- (c) sections 52 to 56 impose a duty to file returns and other reporting requirements;
- (d) sections 57 to 60 define groups and related concepts;
- (e) sections 61 to 64 define accounting periods, the meaning of revenues arising, and other accounts-related concepts;
- (f) sections 65 to 72 contain supplementary and general provisions.

Digital services revenues, UK digital services revenues etc

40 Meaning of "digital services revenues"

(1) This section applies for the purposes of this Part.

(2) The "digital services revenues" of a group for a period are the total amount of revenues arising to members of the group in that period in connection with any digital services activity of any member of the group.

(3) Where revenues arise in connection with a digital services activity and anything else, the revenues are to be treated as arising in connection with the activity to such extent as is just and reasonable.

41 Meaning of "UK digital services revenues"

(1) This section applies for the purposes of this Part.

(2) A group's "UK digital services revenues" for a period are so much of its digital services revenues for that period as are attributable to UK users.

(3) Revenues are attributable to UK users if—
- (a) they are within Case 1, 2 or 3, or
- (b) they are within Case 4 or 5 and, where subsection (9) applies, they are allocated to UK users under that subsection.

This is subject to subsection (10).

(4) Case 1 is where—

(a) the revenues are online marketplace revenues,

(b) they arise in connection with a marketplace transaction, and

(c) a UK user is a party to the transaction.

(5) Case 2 is where—

(a) the revenues are online marketplace revenues, and

(b) they arise in connection with particular accommodation or land in the United Kingdom (see section 42).

(6) Case 3 is where—

(a) the revenues are online marketplace revenues,

(b) they arise in connection with online advertising for particular services, goods or other property, and

(c) the advertising is paid for by a UK user.

(7) Case 4 is where—

(a) the revenues are online advertising revenues,

(b) they are not within any of Cases 1 to 3, and

(c) the advertising is viewed or otherwise consumed by UK users.

(8) Case 5 is where—

(a) the revenues are not within any of Cases 1 to 4, and

(b) they arise in connection with UK users.

(9) For the purposes of subsection (3)(b), revenues are to be allocated to UK users to such extent as is just and reasonable where they are—

(a) online advertising revenues within Case 4 and the advertising in question is viewed or otherwise consumed by UK users and others;

(b) revenues within Case 5 and they arise in connection with UK users and others.

(10) Online marketplace revenues are treated as not attributable to UK users if—

(a) where they arise in connection with a marketplace transaction—

(i) they arise in connection with particular accommodation or land outside the United Kingdom (see section 42), and

(ii) the only UK user who is a party to the transaction is a provider or seller of the thing to which the transaction relates;

(b) in any other case, they arise in connection with particular accommodation or land outside the United Kingdom (see section 42).

(11) In this section—

"marketplace transaction" means a transaction on the online marketplace between users;

"online advertising revenues" means revenues arising in connection with the provision or facilitation of online advertising;

"online marketplace revenues" means revenues arising in connection with an online marketplace.

(12) For the purpose of the definition of "marketplace transaction", "transaction on the online marketplace" includes the placing on the marketplace of an order that results in an agreement, even if the agreement between the users is made otherwise than through the marketplace.

42 UK digital services revenues: accommodation and land

(1) This section, which supplements section 41 (meaning of a group's UK digital services revenues), applies for the purpose of determining when online marketplace revenues arise in connection with accommodation or land.

(2) The revenues are treated as arising in connection with accommodation if they arise in connection with—
- (a) the provision of accommodation, or
- (b) the provision of services, goods or other property in relation to accommodation, in connection with the provision of the accommodation on the online marketplace.

(3) The revenues are treated as arising in connection with land if they arise in connection with—
- (a) the sale of an estate, interest or right in or over land, or
- (b) the provision of services, goods or other property in relation to land, in connection with the sale of an estate, interest or right in or over the land on the online marketplace.

(4) In this section—
- (a) any reference to providing or selling anything includes offering to provide or sell it;
- (b) any reference to providing goods or other property includes providing it temporarily;
- (c) "online marketplace revenues" means revenues arising in connection with an online marketplace.

43 Meaning of "digital services activity" etc

(1) This section applies for the purposes of this Part.

(2) "Digital services activity" means providing—
- (a) a social media service,
- (b) an internet search engine, or
- (c) an online marketplace.

(3) "Social media service" means an online service that meets the following conditions—
- (a) the main purpose, or one of the main purposes, of the service is to promote interaction between users (including interaction between users and user-generated content), and
- (b) making content generated by users available to other users is a significant feature of the service.

(4) "Internet search engine" does not include a facility on a website that merely enables a person to search—
- (a) the material on that website, or

(b) the material on that website and on closely related websites.

(5) "Online marketplace" means an online service that meets the following conditions—

(a) the main purpose, or one of the main purposes, of the service is to facilitate the sale by users of particular things, and

(b) the service enables users to sell particular things to other users, or to advertise or otherwise offer particular things for sale to other users.

(6) In subsection (5)—

(a) "thing" means any services, goods or other property;

(b) any reference to the sale of a thing includes hiring it.

(7) Any reference to providing a social media service, internet search engine or online marketplace includes carrying on an associated online advertising service; and any reference to a social media service, internet search engine or online marketplace is to be read accordingly.

(8) In this section "associated online advertising service" means an online service that—

(a) facilitates online advertising, and

(b) derives significant benefit from its association with the social media service, internet search engine or online marketplace.

(9) Where an associated online advertising service derives significant benefit from its association with more than one type of digital services activity, revenues arising from the service are to be treated as attributable to each of the types of digital services activity in question to such extent as is just and reasonable.

(10) See also section 45 (exclusion for online financial marketplaces).

44 Meaning of "user" and "UK user"

(1) This section applies for the purposes of this Part.

(2) Any reference to a user, in relation to a digital services activity of a person (the "provider"), does not include—

(a) the provider or a member of the same group as the provider, or

(b) an employee of a person within paragraph (a), acting in the course of that person's business.

(3) "UK user" means any user who it is reasonable to assume—

(a) in the case of an individual, is normally in the United Kingdom;

(b) in any other case, is established in the United Kingdom.

45 Exclusion for online financial marketplaces

(1) In this Part any reference to an online marketplace excludes one that is for the time being an online financial marketplace.

(2) An online marketplace is an "online financial marketplace" for a relevant accounting period if more than half of the revenues arising to the provider in the accounting period in connection with the online marketplace arise in connection with the provider's facilitation of the trading of financial instruments, commodities or foreign exchange.

(3) In subsection (2)—

(a) the reference to the trading of financial instruments includes the creation of such instruments;

(b) the reference to the trading of commodities is to the kind of commodities, and the kind of trading, occurring on a commodities exchange.

(4) In this section—

"financial instrument" means—

(a) a financial instrument within the meaning of the applicable accounting standards (see section 64), or

(b) a contract of insurance as defined by section 64 of FA 2012;

"provider" means the person providing the online marketplace;

"relevant accounting period" means an accounting period of the group of which the provider is a member.

Charge to tax

46 Meaning of "the threshold conditions"

(1) For the purposes of this Part "the threshold conditions", in relation to a group, for an accounting period are—

(a) that the total amount of digital services revenues arising in that period to members of the group exceeds £500 million, and

(b) that the total amount of UK digital services revenues arising in that period to members of the group exceeds £25 million.

(2) But if the duration of the accounting period is less than a year, the amounts mentioned in subsection (1)(a) and (b) are proportionately reduced.

47 Charge to DST

(1) This section applies where the threshold conditions are met in relation to a group for an accounting period.

(2) Each person who was a member of the group in the accounting period (a "relevant person") is liable to digital services tax in respect of UK digital services revenues arising in that period.

(3) To find the liability of a relevant person to digital services tax in respect of the accounting period, take the following steps.

Step 1

Take the total amount of UK digital services revenues arising to members of the group in the accounting period.

Step 2

Deduct £25million from the amount found under step 1.

Step 3

Calculate 2% of the amount calculated under step 2.

The result is "the group amount".

Step 4

The relevant person's liability to digital services tax in respect of the accounting period is the appropriate proportion of the group amount.

(4) In this section "the appropriate proportion" means such proportion of the total amount of UK digital services revenues arising to members of the group in the accounting period as is attributable to the relevant person.

(5) If the duration of the accounting period is less than a year, the sum mentioned in step 2 of subsection (3) is proportionately reduced.

(6) This section is subject to section 48 (alternative basis of charge).

48 Alternative basis of charge

(1) This section applies if a valid election under this section in respect of an accounting period has been made in the group's DST return for that period (whether as originally made or by amendment).

(2) An election under this section is valid if it specifies the categories of revenues in relation to which it applies (or specifies that it applies in relation to all categories).

(3) For this purpose, the categories of revenues are—

(a) revenues arising in connection with any social media service;

(b) revenues arising in connection with any internet search engine;

(c) revenues arising in connection with any online marketplace.

(4) To find the liability of a relevant person to digital services tax in respect of the accounting period, take the following steps (instead of the steps set out in section 47(3)).

Step 1

Take the total amount of UK digital services revenues arising to members of the group in the accounting period.

Step 2

Apportion the total amount found under step 1 between the three categories of revenues.

Step 3

For each category of revenues, the "net revenues" is the amount by which the amount of revenues apportioned under step 2 exceeds the relevant proportion of £25million.

"The relevant proportion" is—

$$\frac{R}{TR}$$

where—

R is the amount of revenues apportioned under step 2 to the category, and

TR is the total amount found under step 1.

Step 4

For each specified category of revenues, calculate the operating margin.

"The operating margin" is—

$$\frac{R - E}{R}$$

where—

R has the same meaning as in step 3, and

E is the amount of relevant operating expenses of the group that are recognised in the accounting period (as to which, see section 49).

If R does not exceed E, the operating margin is nil.

Step 5

For each specified category of revenues, the taxable amount is 0.8 x the operating margin x the net revenues.

For any other category of revenues, the taxable amount is 2% of the net revenues.

Step 6

Add together the taxable amounts calculated under step 5.

The result is "the group amount".

Step 7

The relevant person's liability to digital services tax in respect of the accounting period is the appropriate proportion of the group amount.

(5) If the duration of the accounting period is less than a year, the sum mentioned in step 3 of subsection (4) is proportionately reduced.

(6) In this section—

"the appropriate proportion" has the meaning given by section 47;

"relevant person" has the same meaning as in section 47;

"specified", in relation to a category of revenues, means a category of revenues specified in the election.

49 Section 48: meaning of "relevant operating expenses"

(1) This section supplements section 48.

(2) The "relevant operating expenses" of a group, in relation to a specified category of revenues, means any expenses of a member of the group attributable to the earning of UK digital services revenues within the specified category, except excluded expenses.

(3) "Excluded expenses" means any expenses—

(a) in respect of interest (or anything equivalent, from a commercial perspective, to interest),

(b) attributable to the acquisition of a business or part of a business,

(c) occurring otherwise than in the normal course of business,

(d) resulting from a change in the valuation of any tangible or intangible asset, or

(e) in respect of any tax (arising under the law of any territory).

(4) Where expenses are attributable to—

(a) the earning of UK digital services revenues within the specified category, and

(b) anything else,

the expenses are to be treated as relevant operating expenses to such extent as is just and reasonable.

(5) In this section "specified" has the meaning given by section 48.

50 Relief for certain cross-border transactions

(1) This section applies if a claim under this section in respect of an accounting period has been included in the group's DST return for that period (whether as originally made or by amendment).

(2) For the purposes of step 1 in section 47(3) or 48(4), disregard 50% of any UK digital services revenues arising to a member of the group in the accounting period in connection with a relevant cross-border transaction.

(3) For the purposes of step 4 in section 48(4), disregard 50% of any relevant operating expenses of a member of the group recognised in the accounting period that result from a relevant cross-border transaction.

(4) "Relevant cross-border transaction" means a marketplace transaction where—

(a) the online marketplace is provided by a member of the group,

(b) a foreign user is a party to the transaction, and

(c) all or part of any revenues arising to a member of the group in connection with the transaction are (or would be) subject to a foreign DST charge.

(5) In this section—

"foreign user" means a user who it is reasonable to assume—

(a) in the case of an individual, is normally in a territory outside the United Kingdom;

(b) in any other case, is established in a territory outside the United Kingdom,

and a reference to the foreign user's "territory" is to be read accordingly;

"foreign DST charge" means a charge (known by any name) under the law of the foreign user's territory which is similar to digital services tax;

"marketplace transaction" has the meaning given by section 41;

"relevant operating expenses" has the meaning given by section 49.

51 When DST is due and payable

Digital services tax in respect of an accounting period is due and payable on the day following the end of 9 months from the end of the accounting period.

Duty to submit returns etc

52 Meaning of "the responsible member"

(1) In this Part any reference to "the responsible member" of a group, at any time, is a reference to the following person—

(a) if at that time a nomination under subsection (2) is in force, the person nominated;

(b) otherwise, the parent of the group.

(2) The parent of a group may nominate a person to be "the responsible member" of the group if—

(a) the person is a member of the group,
(b) the person is a company, and
(c) the parent agrees in writing to provide the person with everything the person may reasonably require in order to comply with—
(i) any obligation imposed by or under this Part, or
(ii) any other obligation imposed on the person in connection with any digital services tax liability of any member of the group.

(3) A nomination is in force from the time it is made until any of the following events occurs—
(a) the parent nominates another person;
(b) the person nominated ceases to be a member of the group or ceases to be a company;
(c) an officer of Revenue and Customs or the parent revokes the nomination.

(4) An officer of Revenue and Customs may revoke a nomination only if the officer has reason to believe that the person nominated—
(a) is not being provided with something the person reasonably requires in order to comply with an obligation of a kind mentioned in subsection (2)(c), or
(b) is not complying with any such obligation.

(5) An officer of Revenue and Customs revokes a nomination by notifying the parent and the nominated person of the revocation.

The revocation has effect when the notification is issued.

(6) Any nomination, or revocation of a nomination, must be in writing.

53 Continuity of obligations etc where change in the responsible member

(1) This section applies if at any time ("the relevant time") a person ("the new responsible member") becomes the responsible member of a group in place of another person ("the old responsible member").

(2) The relevant obligations and liabilities of the new responsible member include any relevant obligations and liabilities of the old responsible member as respects the group.

(3) Anything done as respects the group by or in relation to the old responsible member, before the relevant time, is treated as having been done by or in relation to the new responsible member.

(4) Accordingly, a penalty may be imposed on the new responsible member in respect of anything done before the relevant time if, at that time, a penalty could have been imposed on the old responsible member in respect of the thing done.

(5) Anything done by HMRC in relation to the old responsible member as respects the group, before the end of the day the change is notified, is treated for all relevant purposes as done by or in relation to the new responsible member.

(6) Anything (including any proceedings) relating to the group that, at any time during the period beginning with the relevant time and ending with the day the change is notified, is in the process of being done in relation to the old responsible member may be continued in relation to the new responsible member.

(7) Accordingly, any reference in an enactment or other instrument to the responsible member of the group is to be read, so far as necessary for the purposes of giving effect to any of subsections (2) to (6), as being or including a reference to the new responsible member.

(8) In this section—

(a) any reference to an act includes an omission;

(b) any reference to the day the change is notified is to the day on which an officer of Revenue and Customs receives notification, in accordance with section 55, that the new responsible member has become the responsible member of the group;

(c) "relevant obligations and liabilities" means any obligations or other liabilities relating to digital services tax;

(d) "relevant purposes" means any purposes relating to digital services tax.

(9) Nothing in this section—

(a) prevents HMRC or anyone else, after the relevant time, from imposing a penalty, exercising any other power, or doing anything else, in relation to the old responsible member in respect of anything done before the relevant time, or

(b) affects the validity of anything done before the relevant time.

54 Duty to notify HMRC when threshold conditions are met

(1) This section applies—

(a) in relation to the first accounting period of a group in respect of which the threshold conditions are met, and

(b) where a direction under section 56 has been given in respect of a group, in relation to the first relevant accounting period in respect of which the threshold conditions are met.

In paragraph (b) "relevant accounting period" means the accounting period specified in the direction or any subsequent accounting period.

(2) The responsible member must provide specified information to HMRC.

(3) The information must be provided in the specified way.

(4) The information must be provided before the end of the period of 90 days from the end of the accounting period.

(5) In subsections (2) and (3) "specified" means specified in a notice published by HMRC.

55 Duty to notify HMRC of change in relevant information

(1) This section applies where section 54 applies or has applied in relation to a group.

(2) If at any relevant time there is a change in relevant information relating to the group, the responsible member must notify HMRC of that change.

(3) The notification must be given in the specified way.

(4) The notification must be given before the end of the period of 90 days beginning with the day on which the change occurs.

(5) In subsection (3) "specified" means specified in a notice published by HMRC.

(6) In this section—

"relevant information" means information of a kind specified under section 54(2);

"relevant time" means any time—

(a) after the time when the information is provided under section 54 or (if earlier) the last time by which the information may be provided in accordance with that section, and

(b) before the giving of a direction under section 56 in relation to the group.

56 Duty to file returns

(1) This section applies where the threshold conditions are met in relation to a group for an accounting period.

(2) The responsible member must deliver a DST return—

(a) for the accounting period, and

(b) for each subsequent accounting period, subject to subsection (3).

(3) An officer of Revenue and Customs may, on the application of the responsible member, direct that the duty to deliver a DST return does not apply in relation to an accounting period specified in the direction or subsequent accounting periods.

(4) Such a direction may be given only if it appears to the officer that the threshold conditions will not be met in relation to the group for any accounting period beginning with the specified accounting period.

(5) Nothing in a direction under subsection (3) prevents the further application of this section to the group, in any subsequent accounting period in which the threshold conditions are met.

(6) Schedule 8 contains provision about DST returns, enquiries, assessments etc.

Groups, parents and members

57 Meaning of "group", "parent" etc

(1) In this Part "group" means—

(a) any entity which—

(i) is a relevant entity (see section 58), and

(ii) meets condition A or B (see subsections (2) and (3)), and

(b) each subsidiary (if any) of the entity mentioned in paragraph (a).

(2) Condition A is that the entity—

(a) is a member of a GAAP group, and

(b) is not a subsidiary of an entity that—

(i) is a relevant entity, and

(ii) itself meets condition A.

(3) Condition B is that the entity is not a member of a GAAP group.

(4) In this Part—

(a) references to the "parent" of a group are to the entity mentioned in subsection (1)(a);

(b) references to a "member" of a group are to an entity mentioned in subsection (1)(a) or (b);

(c) "subsidiary" has the meaning given by the applicable accounting standards.

(5) In this section "GAAP group" means a group within the meaning of the applicable accounting standards.

(6) For the meaning of "the applicable accounting standards" see section 64.

58 Section 57: meaning of "relevant entity"

(1) In section 57 "relevant entity" means—

(a) a company, or

(b) an entity the shares or other interests in which are listed on a recognised stock exchange and are sufficiently widely held.

(2) Shares or other interests in an entity are "sufficiently widely held" if no participator in the entity holds more than 10% by value of all the shares or other interests in the entity.

(3) The following are not relevant entities—

(a) the Crown;

(b) a Minister of the Crown;

(c) a government department;

(d) a Northern Ireland department;

(e) a foreign sovereign power.

(4) In this section—

(a) "participator" has the meaning given by section 454 of CTA 2010;

(b) "recognised stock exchange" has the meaning given by section 1137 of CTA 2010;

(c) the reference to shares or other interests being listed on a recognised stock exchange is to be read in accordance with section 1137 of CTA 2010.

(5) For the meaning of "company" see section 72.

59 Continuity of a group over time

(1) In this Part, this section applies for the purpose of determining whether a group at any time (Time 2) is the same group as a group at any earlier time (Time 1).

(2) The group at Time 2 is the same group as the group at Time 1 if and only if the entity that is the parent of the group at Time 2—

(a) was the parent of the group at Time 1, and

(b) was the parent of a group at all times between Time 1 and Time 2.

60 Treatment of stapled entities

(1) This section applies where two or more entities—

(a) would, apart from this section, be the parent of a group, and
(b) are stapled to each other.

(2) This Part applies as if—
(a) the entities were subsidiaries of another entity (the "deemed parent"), and
(b) the deemed parent were within section 57(1)(a) (conditions for being the parent of a group).

(3) For the purpose of this section, an entity (A) is "stapled" to another entity (B) if, in consequence of the nature of the rights attaching to the shares or other interests in A (including any terms or conditions attaching to the right to transfer the interests), it is necessary or advantageous for a person who has, disposes of or acquires shares or other interests in A also to have, dispose of or acquire shares or other interests in B.

Accounting periods, accounts etc

61 Accounting periods and meaning of "a group's accounts"

(1) This section applies for the purposes of this Part.

(2) A group's first accounting period—
(a) begins with 1 April 2020, and
(b) ends with the first accounting reference date to occur after that date or, if earlier, with 31 March 2021.

This is subject to subsection (4) (rule for groups coming into existence after 1 April 2020).

(3) Any other accounting period of a group—
(a) begins immediately after the end of the previous accounting period, and
(b) ends with the first accounting reference date to occur after it begins or, if earlier, one year after it begins.

(4) In the case of a group formed after 1 April 2020, its first accounting period—
(a) begins with the date on which it is formed, and
(b) ends with the first accounting reference date to occur after that date or, if earlier, one year after it begins.

(5) In this section "accounting reference date" means the date to which the group's accounts are made up.

(6) Any reference to a group's accounts is to—
(a) the consolidated accounts of the group's parent and its subsidiaries, or
(b) the parent's accounts (if the parent is the only member of the group throughout the period in question).

62 Apportionment of revenues or expenses to accounting period

(1) This section applies if a group's period of account does not coincide with an accounting period.

(2) The revenues or expenses of a period of account may be apportioned to the parts of that period falling within different accounting periods.

(3) The apportionment must be made by reference to the number of days in the periods concerned.

63 Meaning of revenues arising, or expenses recognised, in a period

(1) In this Part any reference to revenues arising to members of a group in a period, or to expenses of members of a group recognised in a period, is to be interpreted as follows.

(2) For any period of account of the group for which the group's accounts are produced in accordance with the applicable accounting standards, the reference is to—
  (a) revenues (however described) or expenses recognised in the income statement (or in profit and loss) for that period, or
  (b) if any consolidation exemption applies, to revenues (however described) or expenses that would be recognised in the income statement (or in profit and loss) for that period if no consolidation exemption were applicable.

(3) For any period of account of the group not falling within subsection (2), the reference is to revenues or expenses that would be recognised in the income statement (or in profit and loss) in the group's accounts produced in accordance with IAS for the period if such accounts were produced (and no consolidation exemption was applicable).

(4) If the group does not produce accounts for any period ("the relevant period") in an accounting period, the reference is to revenues or expenses that would be recognised in the income statement (or in profit and loss) in the group's accounts produced in accordance with IAS for the relevant period if such accounts were produced (and no consolidation exemption was applicable).

(5) In this section "consolidation exemption" means any exemption in the applicable accounting standards from a requirement to consolidate revenues.

64 Meaning of "the applicable accounting standards" etc

(1) This section applies for the purposes of this Part.

(2) "The applicable accounting standards", in relation to a group, means—
  (a) for any period for which the group's accounts are produced in accordance with UK GAAP, UK GAAP;
  (b) for any period for which the group's accounts are produced in accordance with acceptable overseas GAAP, acceptable overseas GAAP;
  (c) for any period for which the group's accounts are produced in accordance with a specified standard, that standard;
  (d) otherwise, IAS.

(3) "UK GAAP"—
  (a) means generally accepted accounting practice in relation to accounts of UK companies (other than accounts prepared in accordance with IAS) that are intended to give a true and fair view, and
  (b) has the same meaning in relation to persons other than companies, and companies that are not UK companies, as it has in relation to UK companies.

"UK companies" here means companies incorporated or formed under the law of a part of the United Kingdom.

(4) "Acceptable overseas GAAP" means the generally accepted accounting practice and principles of any of the following—

Canada;

China;

Japan;

South Korea;

the United States of America.

(5) "IAS" means—

(a) International Accounting Standards,

(b) International Financial Reporting Standards, and

(c) related interpretations,

issued or adopted, from time to time, by the International Accounting Standards Board.

(6) In subsection (2)(c), "specified" means specified in a notice published by HMRC.

Supplementary

65 Anti-avoidance

(1) Any tax advantage that would (apart from this section) arise from relevant avoidance arrangements is to be counteracted by the making of such adjustments as are just and reasonable.

(2) The adjustments (whether or not made by an officer of Revenue and Customs) may be made by way of an assessment, the modification of an assessment, amendment or disallowance of a claim, or otherwise.

(3) Arrangements are "relevant avoidance arrangements" if their main purpose, or one of their main purposes, is to enable a person to obtain a tax advantage.

(4) But arrangements are not "relevant avoidance arrangements" if the obtaining of any tax advantage that would (apart from this section) arise from them can reasonably be regarded as consistent with—

(a) any principles on which the provisions of this Part that are relevant to the arrangements are based (whether express or implied), and

(b) the policy objectives of those provisions.

(5) In this section—

"arrangements" include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);

"tax" means digital services tax (and "tax advantage" is to be construed accordingly);

"tax advantage" includes—

(a) avoidance or reduction of a charge to tax or an assessment to tax,

(b) repayment or increased repayment of tax,

(c) avoidance of a possible assessment to tax, and

(d) deferral of a payment of tax or advancement of a repayment of tax.

66 Notice requiring payment from other group members

(1) This section applies where any DST liability relating to a group for an accounting period is unpaid at the end of the period of 3 months after the relevant date.

(2) A designated officer may give a notice (a "payment notice") to a relevant person requiring that person, within 30 days of the giving of the notice, to pay all unpaid DST liabilities relating to the group for the accounting period.

(3) A payment notice must state—

(a) the amount of any digital services tax or penalty that remains unpaid,

(b) the date any digital services tax or penalty first became payable, and

(c) the relevant person's right of appeal.

(4) A payment notice may not be given more than 3 years and 6 months after the relevant date.

(5) If the DST liability arose because of a determination under Part 5 of Schedule 8, the relevant date is the date on which the notice of determination is issued.

(6) If the DST liability arose because of a self-assessment, the relevant date is the later of—

(a) the date on which the tax becomes due and payable;

(b) in a case where the DST return is delivered after the filing date, the date on which the return is delivered;

(c) if notice of enquiry is given, the date on which the enquiry is completed;

(d) if more than one notice of enquiry is given, the date on which the last notice is given;

(e) if as a result of such an enquiry the DST return is amended, the date on which the notice of the amendment is issued;

(f) if there is an appeal against such an amendment, the date on which the appeal is finally determined.

(7) If the DST liability arose because of an assessment under Part 6 or 7 of Schedule 8, the relevant date is—

(a) if there is no appeal against the assessment, the date on which the notice of assessment is issued, or

(b) if there is such an appeal, the date on which the appeal is finally determined.

(8) If the DST liability arose because of a penalty, the relevant date is the date on which the notice of the penalty is issued.

(9) A payment notice may be given anywhere in the world, to any relevant person (whether or not resident in the United Kingdom).

(10) Schedule 9 makes further provision about payment notices.

(11) In this section—

"designated officer" means an officer of Revenue and Customs who has been designated by the Commissioners for the purposes of this Part;

"DST liability", in relation to a group for an accounting period, means—

(a) a liability of a relevant person to digital services tax in respect of that period, or

(b) a liability of a person to a penalty for anything done (or not done) in respect of the accounting period;

"the filing date" has the same meaning as in Schedule 8 (see paragraph 1(1));

"relevant person" means any person who was a member of the group in the accounting period.

(12) The reference in subsection (6) to a self-assessment includes a reference to a self-assessment that supersedes a determination (see paragraph 18 of Schedule 8).

(13) In this section references to "digital services tax" include references to interest on digital services tax.

67 Interest on overdue DST

(1) Digital services tax carries interest at the applicable rate from the date when the tax becomes due and payable until payment.

(2) This applies even if the date when the tax becomes due and payable is—

(a) a Saturday or Sunday,

(b) Good Friday, Christmas Day, a bank holiday or other public holiday, or

(c) a day specified in an order made under section 2 of the Banking and Financial Dealings Act 1971 (power to suspend financial dealings).

(3) In this section "the applicable rate" means the rate applicable under section 178 of FA 1989.

68 Interest on overpaid DST etc

(1) Where a payment in respect of a person's digital services tax liability for an accounting period is made before the due date, the payment carries interest at the applicable rate from the later of—

(a) the date the payment is made, and

(b) 6 months and 13 days from the start of the accounting period,

until the due date.

(2) Where a repayment of digital services tax paid by a person for an accounting period falls to be made, the repayment carries interest at the applicable rate—

(a) from the due date or, if later, the date the digital services tax was paid, and

(b) until the order for repayment is issued.

(3) Where a repayment of digital services tax is a repayment of tax paid by a person on different dates, it is to be treated so far as possible as a repayment of tax paid on a later (rather than an earlier) date among those dates.

(4) Where—

(a) interest has been paid to a person under this section,

(b) there is a change in the person's assessed liability,

(c) the change does not correct (wholly or in part) an error made by an officer of Revenue and Customs, and

(d) as a result of the change (and in particular not as a result of an error in the calculation of interest) it appears to an officer of Revenue and Customs that some or all of the interest ought not to have been paid,

the interest that ought not to have been paid may be recovered from the person.

(5) For the purposes of subsection (4)(b) there is a change in a person's assessed liability if (and only if)—

(a) an assessment, or an amendment of an assessment, of the amount of digital services tax payable by the person for the accounting period in question is made, or

(b) an HMRC determination of that amount is made,

whether or not any previous assessment or determination has been made.

(6) In this section—

"the applicable rate" has the same meaning as in section 67;

"the due date", in relation to an accounting period, means the date digital services tax for the accounting period becomes due and payable;

"error" includes—

(a) any computational error, and

(b) the allowance of a claim that ought not to have been allowed;

"HMRC determination" means a determination under Part 5 of Schedule 8.

69 Recovery of DST liability

(1) Any amount due by way of DST liability is recoverable as a debt due to the Crown.

(2) In this section "DST liability" has the same meaning as in section 66.

70 Minor and consequential amendments

Schedule 10 contains minor and consequential amendments.

71 Review of DST

(1) The Treasury must, before the end of 2025, conduct a review of digital services tax and prepare a report of the review.

(2) The Treasury must lay a copy of the report before Parliament.

General

72 Interpretation of Part

In this Part—

"accounting period" has the meaning given by section 61;

"the applicable accounting standards" has the meaning given by section 64;

"the Commissioners" has the meaning given by section 39;

"company" has the meaning given by section 1121(1) of CTA 2010;

"digital services activity" has the meaning given by section 43;

"digital services revenues" has the meaning given by section 40;

"group" has the meaning given by section 57;
"group's accounts" has the meaning given by section 61;
"HMRC" means Her Majesty's Revenue and Customs;
"IAS" has the meaning given by section 64;
"member" has the meaning given by section 57;
"parent" has the meaning given by section 57;
"the responsible member" has the meaning given by section 52;
"subsidiary" has the meaning given by section 57;
"the threshold conditions" has the meaning given by section 46;
"UK digital services revenues" has the meaning given by section 41;
"UK user" has the meaning given by section 44;
"user" has the meaning given by section 44.

PART 3

OTHER TAXES

Inheritance tax

73 Excluded property etc

(1) IHTA 1984 is amended as follows.

(2) In section 48 (excluded property)—

(a) in subsection (3)(a), for "settlement was made" substitute "property became comprised in the settlement (but see also subsection (3F))",

(b) in subsection (3A)(a), for "settlement was made" substitute "property became comprised in the settlement (but see also subsection (3F))",

(c) in subsection (3E), for "settlement is made" substitute "property became comprised in the settlement (but see also subsection (3F))", and

(d) after subsection (3E) insert—

"(3F) If—

(a) an amount is payable in respect of property ("the existing property") comprised in a settlement, and

(b) the amount represents an accumulation of income which (once accumulated) becomes comprised in the settlement,

subsections (3)(a), (3A)(a) and (3E) have effect, in the case of the amount, as if any reference to the time it became comprised in the settlement were to the time the existing property became comprised in the settlement."

(3) After section 48 insert—

"**48A Commencement of settlement**

In this Act any reference to the commencement of a settlement is to the time when property first becomes comprised in it."

(4) Omit section 60 (meaning of commencement of settlement for purposes of Chapter).

(5) In section 64 (charge at ten-year anniversary)—

(a) in subsection (1B)—

(i) after "settlor of" insert "property comprised in",

(ii) for "settlement was made" substitute "property became comprised in the settlement (but see also subsection (1BA))", and

(iii) after "income of the settlement" insert "that arose (directly or indirectly) from the property", and

(b) after that subsection insert—

"(1BA) If—

(a) an amount is payable in respect of property ("the existing property") comprised in a settlement, and

(b) the amount represents an accumulation of income which (once accumulated) becomes comprised in the settlement,

subsection (1B) has effect, in the case of the amount, as if any reference to the time it became comprised in the settlement were to the time the existing property became comprised in the settlement."

(6) In section 65 (charge at other times)—

(a) in subsection (7A), for "settlement made" substitute "property became comprised in settlement",

(b) in subsection (8)—

(i) after "settlor of" insert "property comprised in",

(ii) for "settlement was made" substitute "property became comprised in the settlement (but see also subsection (8A))", and

(iii) for "property comprised in the settlement" substitute "the property", and

(c) after that subsection insert—

"(8A) If—

(a) an amount is payable in respect of property ("the existing property") comprised in a settlement, and

(b) the amount represents an accumulation of income which (once accumulated) becomes comprised in the settlement,

subsection (8) has effect, in the case of the amount, as if any reference to the time it became comprised in the settlement were to the time the existing property became comprised in the settlement."

(7) In section 74A (arrangements involving acquisition of interest in settled property etc)—

(a) in subsection (2)(a), for "settlement was made" substitute "relevant settled property became comprised in the settlement", and

(b) in subsection (3)(a), for "settlement was made" substitute "relevant settled property became comprised in the settlement".

(8) In section 157(3) (non-residents' bank accounts), for "he made" substitute "the settled property became comprised in".

(9) In section 237(1)(b) (imposition of charge), for "the chargeable transfer is made by the making of a settlement or" substitute "property becomes comprised in a settlement by virtue of the chargeable transfer or the chargeable transfer".

(10) In section 272 (general interpretation)—

(a) before the definition of "conditionally exempt transfer" insert—

""commencement" of a settlement has the meaning given by section 48A;", and

(b) in the definition of "foreign-owned", in paragraph (b)(ii), at the end insert "(and section 64(1BA) applies for the purposes of this sub-paragraph as it applies for the purposes of section 64(1B))".

(11) In relation to any chargeable transfer made on or after the day on which this Act is passed, the amendments made by this section are treated as always having been in force.

Section 2(3) of IHTA 1984 applies for the purposes of this subsection.

74 Transfers between settlements etc

(1) IHTA 1984 is amended as follows.

(2) After section 81A insert—

"**81B Excluded property: property to which section 80 applies**

(1) This section applies to property to which section 80 (initial interest of settlor etc) applies.

(2) If the property would apart from this section be excluded property by virtue of section 48(3)(a) or (3A)(a), the property is at any time in a tax year to be regarded as excluded property for the purposes of this Chapter, except sections 78 and 79, only if Conditions A and B are met.

(3) Section 65(8) has effect in relation to the property only if Condition A is met (in addition to any condition mentioned in that provision).

(4) Condition A is that the actual settlor was not domiciled in the United Kingdom at the time of the occasion first referred to in section 80(1).

(5) Condition B is that the actual settlor is not a formerly domiciled resident for the tax year.

(6) In this section "the actual settlor" means the person who is the settlor of the property in relation to the settlement first mentioned in section 80(1).

(7) Where the occasion first referred to in section 80(1) occurred before the day on which the Finance Act 2020 was passed, this section has effect as if, in subsection (2), "or (3A)(a)" were omitted."

(3) In section 82 (excluded property)—

(a) in subsection (1), omit "80 or",

(b) in subsection (2)—

(i) omit "80 or", and

(ii) for "settlement was made" substitute "property became comprised in the settlement",

(c) in subsection (3), omit paragraph (a),

(d) in subsection (4), omit paragraph (a),

(e) after that subsection insert—

"(5) This section does not apply in relation to a case to which section 82A applies.", and

(f) in the heading, at the end insert ": property to which section 81 applies (old cases)".

(4) After section 82 insert—

"**82A Excluded property: property to which section 81 applies (new cases)**

(1) This section—

(a) applies where, at any time on or after the day on which the Finance Act 2020 is passed, property ceases to be comprised in a settlement ("the first settlement") but is treated as a result of section 81 as remaining comprised in that settlement for the purposes of this Chapter, and

(b) applies whether or not at any subsequent time the property is comprised in the first settlement without regard to that section.

(2) If the property would apart from this section be excluded property by virtue of section 48(3)(a) or (3A)(a), the property is to be regarded as excluded property for the purposes of this Chapter, except sections 78 and 79, at any time only if the non-domicile condition is met in relation to each qualifying transfer occurring on or before that time.

(3) Section 65(8) has effect in relation to the property at any time only if (in addition to the condition mentioned there) the non-domicile condition is met in relation to each qualifying transfer occurring on or before that time; but, for the purposes of this subsection, the non-domicile condition has effect with the omission of subsection (6)(a)(ii).

(4) For the purposes of this section each of the following is a "qualifying transfer"—

(a) the occasion on which section 81 applies to the property; and

(b) any subsequent occasion on which the property would, if the effect of section 81 were ignored, become comprised in a settlement to which this Chapter applies (including the first settlement).

(5) But a qualifying transfer does not occur as a result of—

(a) an assignment by a beneficiary of an interest in a settlement, or

(b) an exercise of a general power of appointment,

unless the time of the assignment or exercise of the power falls on or after the day on which the Finance Act 2020 is passed.

(6) For the purposes of this section "the non-domicile condition" is—

(a) in a case where a qualifying transfer occurs as a result of an assignment by a beneficiary of an interest in a settlement or an

exercise of a general power of appointment, that the beneficiary or the person exercising the power—

(i) was not domiciled in the United Kingdom at the time of the assignment or exercise of the power, and

(ii) is not a formerly domiciled resident for the tax year in which the time mentioned in subsection (2) falls;

(b) in a case in which section 81 applies which is not within paragraph (a), that the person who was the settlor of the property in relation to the first settlement was not domiciled in the United Kingdom immediately before the time when the property ceased to be comprised in the first settlement;

(c) in any other case, that the person who was the settlor of the property in relation to the first settlement was not domiciled in the United Kingdom immediately before the time of the subsequent occasion.

(7) If—

(a) the settlor mentioned in subsection (6)(b) or (c) has died before the time mentioned there, and

(b) the death does not give rise to a qualifying transfer,

the non-domicile condition is treated as met.

(8) In this section any reference to a qualifying transfer occurring as a result of—

(a) an assignment by a beneficiary of an interest in a settlement, or

(b) an exercise of a general power of appointment,

includes the transfer occurring partly as a result of the assignment or exercise of the power.

(9) In this section any reference to an assignment includes an assignation."

(5) In relation to any chargeable transfer made on or after the day on which this Act is passed, the amendments made by subsections (2) and (3) are treated as always having been in force.

Section 2(3) of IHTA 1984 applies for the purposes of this subsection.

75 Relief for payments to victims of persecution during Second World War era

(1) IHTA 1984 is amended as follows.

(2) In section 153ZA (inheritance tax relief for payments to victims of persecution during Second World War era: qualifying payments), after subsection (8) insert—

"(8A) Regulations under this section may have effect in relation to deaths occurring before the regulations are made."

(3) In Schedule 5A (inheritance tax relief for payments to victims of persecution during Second World War era), in Part 1 (compensation payments), after paragraph 9 insert—

"10 A one-off payment of a fixed amount from the Kindertransport Fund established by the Government of the Federal Republic of Germany."

(4) The amendment made by subsection (3) has effect in relation to deaths occurring on or after 1 January 2019.

Stamp duty land tax

76 Exceptional circumstances preventing disposal of interest in three year period

(1) In FA 2003, Schedule 4ZA (stamp duty land tax: higher rates for additional dwellings etc) is amended as follows.

(2) In paragraph 3 (single dwelling transactions)—

(a) in sub-paragraph (7)(b) for "the period of three years beginning with the day after the effective date of the transaction concerned" substitute "a permitted period";

(b) after sub-paragraph (7) insert—

"(7A) For the purposes of sub-paragraph (7)(b), the permitted periods are—

(a) the period of three years beginning with the day after the effective date of the transaction concerned, or

(b) if HMRC are satisfied that the purchaser or the purchaser's spouse or civil partner would have disposed of the major interest in the sold dwelling within that three year period but was prevented from doing so by exceptional circumstances that could not reasonably have been foreseen, such longer period as HMRC may allow in response to an application made in accordance with sub-paragraph (7B).

(7B) An application for the purposes of sub-paragraph (7A)(b) must—

(a) be made within the period of 12 months beginning with the effective date of the transaction disposing of the major interest in the sold dwelling, and

(b) be made in such form and manner, and contain such information, as may be specified by HMRC.

(7C) Schedule 11A (claims not included in returns) does not apply in relation to an application made in accordance with sub-paragraph (7B)."

(3) In paragraph 8 (further provision in connection with paragraph 3(6) and (7))—

(a) in sub-paragraph (3), after "paragraph 3(7)" insert "by virtue of paragraph 3(7A)(a)";

(b) in sub-paragraph (4), after "paragraph 3(7)" insert "by virtue of paragraph 3(7A)(a)";

(c) after sub-paragraph (4) insert—

"(5) Where HMRC grant an application made in accordance with paragraph 3(7B)—

(a) the land transaction return in respect of the transaction concerned is treated as having been amended to take account of the application of paragraph 3(7) by virtue of paragraph 3(7A)(b), and

(b) HMRC must notify the purchaser accordingly."

(4) The amendments made by this section have effect in a case where the effective date of the transaction concerned is on or after 1 January 2017.

Stamp duty and stamp duty reserve tax

77 Stamp duty: transfers of unlisted securities and connected persons

After section 47 of FA 2019 insert—

"**47A Stamp duty: transfers of unlisted securities and connected persons**

(1) This section applies if—
  (a) an instrument transfers unlisted securities to a company or a company's nominee for consideration,
  (b) the person transferring the securities is connected with the company or is the nominee of a person connected with the company, and
  (c) some or all of the consideration consists of the issue of shares.

(2) In this section "unlisted securities" means stock or marketable securities that are not listed securities within the meaning of section 47 (stamp duty: transfers of listed securities and connected persons).

(3) For the purposes of the enactments relating to stamp duty the amount or value of the consideration is to be treated as being equal to—
  (a) the amount or value of the consideration for the transfer, or
  (b) if higher, the value of the unlisted securities.

(4) For the purposes of subsection (3) "the enactments relating to stamp duty" means the Stamp Act 1891 and any enactment amending that Act or that is to be construed as one with that Act.

(5) For the purposes of this section—
  (a) the value of unlisted securities is to be taken to be the market value of the securities at the date the instrument is executed;
  (b) "market value" has the same meaning as in TCGA 1992 and is to be determined in accordance with sections 272 and 273 of that Act (valuation).

(6) Section 1122 of CTA 2010 (connected persons) has effect for the purposes of this section.

(7) This section is to be construed as one with the Stamp Act 1891.

(8) This section has effect in relation to instruments executed on or after the date on which FA 2020 is passed."

78 SDRT: unlisted securities and connected persons

After section 48 of FA 2019—

"**48A SDRT: unlisted securities and connected persons**

(1) This section applies if a person is connected with a company and—

(a) the person or the person's nominee—

(i) agrees to transfer unlisted securities to the company or the company's nominee for consideration in money or money's worth, or

(ii) transfers such securities to the company or the company's nominee for consideration in money or money's worth, and

(b) some or all of the consideration consists of the issue of shares.

(2) In this section "unlisted securities" means chargeable securities that are not listed securities within the meaning of section 48 (SDRT: listed securities and connected persons).

(3) For the purposes of stamp duty reserve tax chargeable under section 87 of FA 1986 (the principal charge), the amount or value of the consideration is to be treated as being equal to—

(a) the amount or value of the consideration for the transfer, or

(b) if higher, the market value of the unlisted securities at the time the agreement is made.

(4) Subsection (5) has effect for the purposes of stamp duty reserve tax chargeable under section 93 of FA 1986 (depositary receipts) or section 96 of that Act (clearance services).

(5) If the amount or value of the consideration for any transfer of unlisted securities is less than the value of those securities at the time they are transferred, the transfer is to be treated as being for an amount of consideration in money equal to that value.

(6) For the purposes of this section—

(a) the value of unlisted securities is to be taken to be their market value;

(b) "market value" has the same meaning as in TCGA 1992 and is to be determined in accordance with sections 272 and 273 of that Act (valuation).

(7) Section 1122 of CTA 2010 (connected persons) has effect for the purposes of this section.

(8) This section is to be construed as one with Part 4 of FA 1986.

(9) This section has effect—

(a) in relation to the charge to tax under section 87 of FA 1986 where—

(i) the agreement to transfer securities is conditional and the condition is satisfied on or after the relevant date, or

(ii) in any other case, the agreement is made on or after that date;

(b) in relation to the charge to tax under section 93 or 96 of that Act, where the transfer is on or after the relevant date (whenever the arrangement was made).

In this subsection "the relevant date" is the day on which FA 2020 is passed."

79 Stamp duty: acquisition of target company's share capital

(1) Section 77A of FA 1986 (disqualifying arrangements) is amended as follows.

(2) In subsection (2), after paragraph (b) insert—

"but a person who has held at least 25% of the issued share capital of the target company at all times during the relevant period is not within paragraph (a) or (b)."

(3) After that subsection insert—

"(2A) For the purposes of subsection (2) the "relevant period" is the period of 3 years ending immediately before the time at which the shares in the acquiring company are issued (or first issued) as consideration for the acquisition."

(4) In subsection (3) omit "But".

(5) After subsection (5) insert—

"(5A) The Treasury may by regulations amend subsection (2) or (2A) so as to alter the percentage or length of the period for the time being specified there.

(5B) The power to make regulations under subsection (5A) is exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons."

(6) The amendments made by this section have effect in relation to instruments executed on or after the day on which this Act is passed.

Value added tax

80 Call-off stock arrangements

(1) VATA 1994 is amended as follows.

(2) After section 14 insert—

"Goods supplied between the UK and member States under call-off stock arrangements

14A Call-off stock arrangements

Schedule 4B (call-off stock arrangements) has effect."

(3) In section 69 (breaches of regulatory provisions)—

(a) in subsection (1)(a) for "or paragraph 5 of Schedule 3A" substitute ", paragraph 5 of Schedule 3A or paragraph 9(1) or (2)(a) of Schedule 4B", and

(b) in subsection (2) after "under" insert "paragraph 8 or 9(2)(b) of Schedule 4B or".

(4) In Schedule 4 (matters to be treated as a supply of goods or services) in paragraph 6, after sub-paragraph (2) insert—

"(3) Sub-paragraph (1) above is subject to paragraph 2 of Schedule 4B (call-off stock arrangements)."

(5) After Schedule 4A insert—

"SCHEDULE 4B

Section 14A

CALL-OFF STOCK ARRANGEMENTS

Where this Schedule applies

1 (1) This Schedule applies where—

(a) on or after 1 January 2020 goods forming part of the assets of any business are removed —

(i) from the United Kingdom for the purpose of being taken to a place in a member State, or

(ii) from a member State for the purpose of being taken to a place in the United Kingdom,

(b) the goods are removed in the course or furtherance of that business by or under the directions of the person carrying on that business ("the supplier"),

(c) the goods are removed with a view to their being supplied in the destination State, at a later stage and after their arrival there, to another person ("the customer"),

(d) at the time of the removal the customer is entitled to take ownership of the goods in accordance with an agreement existing between the customer and the supplier,

(e) at the time of the removal the supplier does not have a business establishment or other fixed establishment in the destination State,

(f) at the time of the removal the customer is identified for the purposes of VAT in accordance with the law of the destination State and both the identity of the customer and the number assigned to the customer for the purposes of VAT by the destination State are known to the supplier,

(g) as soon as reasonably practicable after the removal the supplier records the removal in the register provided for in Article 243(3) of Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax, and

(h) the supplier includes the number mentioned in paragraph (f) in the recapitulative statement provided for in Article 262(2) of Council Directive 2006/112/EC.

(2) In this Schedule—

"the destination State" means—

(a) in a case within paragraph (i) of sub-paragraph (1)(a), the member State concerned, and

(b) in a case within paragraph (ii) of sub-paragraph (1)(a), the United Kingdom, and

"the origin State" means—

(a) in a case within paragraph (i) of sub-paragraph (1)(a), the United Kingdom, and

(b) in a case within paragraph (ii) of sub-paragraph (1)(a), the member State concerned.

Removal of the goods not to be treated as a supply

2 The removal of the goods from the origin State is not to be treated by reason of paragraph 6(1) of Schedule 4 as a supply of goods by the supplier.

Goods transferred to the customer within 12 months of arrival

3 (1) The rules in sub-paragraph (2) apply if—

(a) during the period of 12 months beginning with the day the goods arrive in the destination State the supplier transfers the whole property in the goods to the customer, and

(b) during the period beginning with the day the goods arrive in the destination State and ending immediately before the time of that transfer no relevant event occurs.

(2) The rules are that—

(a) a supply of the goods in the origin State is deemed to be made by the supplier,

(b) the deemed supply is deemed to involve the removal of the goods from the origin State at the time of the transfer mentioned in sub-paragraph (1),

(c) the consideration given by the customer for the transfer mentioned in sub-paragraph (1) is deemed to have been given for the deemed supply, and

(d) an acquisition of the goods by the customer in pursuance of the deemed supply is deemed to take place in the destination State.

(3) For the meaning of a "relevant event", see paragraph 7.

Relevant event occurs within 12 months of arrival

4 (1) The rules in sub-paragraph (2) apply (subject to paragraph 6) if—

(a) during the period of 12 months beginning with the day the goods arrive in the destination State a relevant event occurs, and

(b) during the period beginning with the day the goods arrive in the destination State and ending immediately before the time that relevant event occurs the supplier does not transfer the whole property in the goods to the customer.

(2) The rules are that—

(a) a supply of the goods in the origin State is deemed to be made by the supplier,

(b) the deemed supply is deemed to involve the removal of the goods from the origin State at the time the relevant event occurs, and

(c) an acquisition of the goods by the supplier in pursuance of the deemed supply is deemed to take place in the destination State.

(3) For the meaning of a "relevant event", see paragraph 7.

Goods not transferred and no relevant event occurs within 12 months of arrival

5 (1) The rules in sub-paragraph (2) apply (subject to paragraph 6) if during the period of 12 months beginning with the day the goods arrive in the destination State the supplier does not transfer the whole property in the goods to the customer and no relevant event occurs.

(2) The rules are that—

(a) a supply of the goods in the origin State is deemed to be made by the supplier,

(b) the deemed supply is deemed to involve the removal of the goods from the origin State at the beginning of the day following the expiry of the period of 12 months mentioned in sub-paragraph (1), and

(c) an acquisition of the goods by the supplier in pursuance of the deemed supply is deemed to take place in the destination State.

(3) For the meaning of a "relevant event", see paragraph 7.

Exception to paragraphs 4 and 5: goods returned to origin State

6 The rules in paragraphs 4(2) and 5(2) do not apply if during the period of 12 months beginning with the day the goods arrive in the destination State—

(a) the goods are returned to the origin State by or under the direction of the supplier, and

(b) the supplier records the return of the goods in the register provided for in Article 243(3) of Council Directive 2006/112/EC.

Meaning of "relevant event"

7 (1) For the purposes of this Schedule each of the following events is a relevant event—

(a) the supplier forms an intention not to supply the goods to the customer (but see sub-paragraph (2)),

(b) the supplier forms an intention to supply the goods to the customer otherwise than in the destination State,

(c) the supplier establishes a business establishment or other fixed establishment in the destination State,

(d) the customer ceases to be identified for the purposes of VAT in accordance with the law of the destination State,

(e) the goods are removed from the destination State by or under the directions of the supplier otherwise than for the purpose of being returned to the origin State, or

(f) the goods are destroyed, lost or stolen.

(2) But the event mentioned in paragraph (a) of sub-paragraph (1) is not a relevant event for the purposes of this Schedule if—

(a) at the time that the event occurs the supplier forms an intention to supply the goods to another person ("the substitute customer"),

(b) at that time the substitute customer is identified for the purposes of VAT in accordance with the law of the destination State,

(c) the supplier includes the number assigned to the substitute customer for the purposes of VAT by the destination State in the recapitulative statement provided for in Article 262(2) of Council Directive 2006/112/EC, and

(d) as soon as reasonably practicable after forming the intention to supply the goods to the substitute customer the supplier records that intention in the register provided for in Article 243(3) of Council Directive 2006/112/EC.

(3) In a case where sub-paragraph (2) applies, references in this Schedule to the customer are to be then read as references to the substitute customer.

(4) In a case where the goods are destroyed, lost or stolen but it is not possible to determine the date on which that occurred, the goods are to be treated for the purposes of this Schedule as having been destroyed, lost or stolen on the date on which they were found to be destroyed or missing.

Record keeping by the supplier

8 In a case where the origin State is the United Kingdom, any record made by the supplier in pursuance of paragraph 1(1)(g), 6(b) or 7(2)(d) must be preserved for such period not exceeding 6 years as the Commissioners may specify in writing.

Record keeping by the customer

9 (1) In a case where the destination State is the United Kingdom, the customer must as soon as is reasonably practicable make a record of the information relating to the goods that is specified in Article 54A(2) of Council Implementing Regulation (EU) No. 282/2011 of 15 March 2011 laying down implementing measures for Directive 2006/112/EC on the common system of value added tax.

(2) A record made under this paragraph must—

(a) be made in a register kept by the customer for the purposes of this paragraph, and

(b) be preserved for such period not exceeding 6 years as the Commissioners may specify in writing."

(6) In Schedule 6 (valuation of supplies: special cases) in paragraph 6(1) in paragraph (c) after "that Schedule" insert "; or

(d) paragraph 4(2)(a) or 5(2)(a) of Schedule 4B".

(7) The Value Added Tax Regulations 1995 (S.I. 1995/2518) are amended as follows.

(8) In regulation 21 (interpretation of Part 4)—

(a) the existing text becomes paragraph (1), and

(b) after that paragraph insert—

"(2) For the purposes of this Part—

(a) goods are removed from the United Kingdom under call-off stock arrangements if they are removed from the United Kingdom in circumstances where the conditions in

paragraphs (a) to (g) of paragraph 1(1) of Schedule 4B to the Act are met,

(b) references to "the customer" or "the destination State", in relation to goods removed from the United Kingdom under call-off stock arrangements, are to be construed in accordance with paragraph 1 of Schedule 4B to the Act, and

(c) "call-off stock goods", in relation to a taxable person, means goods that have been removed from the United Kingdom under call-off stock arrangements by or under the directions of the taxable person."

(9) After regulation 22 insert—

"22ZA(1) A taxable person must submit a statement to the Commissioners if any of the following events occurs—

(a) goods are removed from the United Kingdom under call-off stock arrangements by or under the directions of the taxable person;

(b) call-off stock goods are returned to the United Kingdom by or under the directions of the taxable person at any time during the period of 12 months beginning with their arrival in the destination State;

(c) the taxable person forms an intention to supply call-off stock goods to a person ("the substitute") other than the customer in circumstances where—

(i) the taxable person forms that intention during the period of 12 months beginning with the arrival of the goods in the destination State, and

(ii) the substitute is identified for VAT purposes in accordance with the law of the destination State.

(2) The statement must—

(a) be made in the form specified in a notice published by the Commissioners,

(b) contain, in respect of each event mentioned in paragraph (1) which has occurred within the period in respect of which the statement is made, such information as may from time to time be specified in a notice published by the Commissioners, and

(c) contain a declaration that the information provided in the statement is true and complete.

(3) Paragraphs (3), (4) and (6) of regulation 22 have effect for the purpose of determining the period in respect of which the statement must be made, but as if—

(a) in paragraph (3)(a) of regulation 22, for "paragraphs (4) to (6)" there were substituted "paragraphs (4) and (6)",

(b) in paragraph (3)(a) of regulation 22, for "the EU supply of goods is made" there were substituted "the event occurs",

(c) in paragraph (4)(a) of regulation 22, for "the supply is made" there were substituted "the event occurs", and

(d) in paragraph (6) of regulation 22, the reference to paragraph (1) of that regulation were a reference to paragraph (1) of this regulation.

(4) In determining the period in respect of which the statement must be made, the time at which an event mentioned in paragraph (1)(a) of this regulation is to be taken to occur is the time the goods concerned are removed from the United Kingdom (rather than the time the condition mentioned in paragraph (g) of paragraph 1(1) to Schedule 4B to the Act is met in respect of the removal)."

(10) In regulation 22B (EC sales statements: supplementary)—

(a) in paragraph (1) for the words from "statements", in the first place it occurs, to "and" substitute "more than one statement is to be submitted under regulations 22 to",

(b) in paragraph (2) after "22" insert ", 22ZA", and

(c) in paragraph (3), in the words before paragraph (a), after "22" insert ", 22ZA".

(11) Regulation 22ZA of the Value Added Tax Regulations 1995 (as inserted by subsection (9)) is to be treated for the purposes of sections 65 and 66 of VATA 1994 as having been made under paragraph 2(3) of Schedule 11 to that Act.

Alcohol liquor duties

81 Post-duty point dilution of wine or made-wine

(1) After section 55 of ALDA 1979 insert—

"**55ZA Post-duty point dilution of wine or made-wine**

(1) This section applies if—

(a) wine or made-wine is imported into the United Kingdom or produced in the United Kingdom for sale,

(b) excise duty is chargeable on the wine or made-wine as a result of section 54 or 55,

(c) after the excise duty point in relation to that charge, a person mixes or otherwise adds, at any place in the United Kingdom, water or any other substance to the wine or made-wine in a case where what results ("the new product") is intended for sale, and

(d) if the addition had taken place immediately before that duty point, the amount of the excise duty would have been greater than the amount actually payable.

(2) The addition attracts a penalty under section 9 of the Finance Act 1994 (civil penalties), and the new product is liable to forfeiture.

(3) This section has effect, despite section 8 of the Isle of Man Act 1979, as if a removal of wine or made-wine to the United Kingdom from the Isle of Man constituted its importation into the United Kingdom (and references to the charge to excise duty as a result of section 54 or 55 and to the excise duty point are to be read accordingly)."

(2) The amendment made by this section has effect in relation to any addition of water or any other substance on or after 1 April 2020.

Tobacco products duty

82 Rates of tobacco products duty

(1) In Schedule 1 to TPDA 1979 (table of rates of tobacco products duty), for the Table substitute—

"1 Cigarettes	An amount equal to the higher of— (a) 16.5% of the retail price plus £237.34 per thousand cigarettes, or (b) £305.23 per thousand cigarettes.
2 Cigars	£296.04 per kilogram
3 Hand-rolling tobacco	£253.33 per kilogram
4 Other smoking tobacco and chewing tobacco	£130.16 per kilogram
5 Tobacco for heating	£243.95 per kilogram"

(2) The amendment made by this section is treated as having come into force at 6pm on 11 March 2020.

Vehicle taxes

83 Rates for light passenger or light goods vehicles, motorcycles etc

(1) Schedule 1 to VERA 1994 (annual rates of vehicle excise duty) is amended as follows.

(2) In paragraph 1 (general rate)—

(a) in sub-paragraph (2) (vehicle not covered elsewhere in Schedule with engine cylinder capacity exceeding 1,549cc), for "£265" substitute "£270", and

(b) in sub-paragraph (2A) (vehicle not covered elsewhere in Schedule with engine cylinder capacity not exceeding 1,549cc), for "£160" substitute "£165".

(3) In paragraph 1B (graduated rates for light passenger vehicles registered before 1 April 2017), for the Table substitute—

"CO_2 emissions figure		*Rate*	
(1)	*(2)*	*(3)*	*(4)*
Exceeding	*Not exceeding*	*Reduced rate*	*Standard rate*
g/km	*g/km*	*£*	*£*
100	110	10	20
110	120	20	30
120	130	115	125
130	140	140	150
140	150	155	165
150	165	195	205

"CO_2 emissions figure		*Rate*	
(1)	*(2)*	*(3)*	*(4)*
Exceeding	*Not exceeding*	*Reduced rate*	*Standard rate*
g/km	*g/km*	*£*	*£*
165	175	230	240
175	185	255	265
185	200	295	305
200	225	320	330
225	255	555	565
255	—	570	580".

(4) In the sentence immediately following the Table in that paragraph, for paragraphs (a) and (b) substitute—

"(a) in column (3), in the last two rows, "320" were substituted for "555" and "570", and

(b) in column (4), in the last two rows, "330" were substituted for "565" and "580"."

(5) In paragraph 1GC (graduated rates for first licence for light passenger vehicles registered on or after 1 April 2017), for Table 1 (vehicles other than higher rate diesel vehicles) substitute—

"CO_2 emissions figure		*Rate*	
(1)	*(2)*	*(3)*	*(4)*
Exceeding	*Not exceeding*	*Reduced rate*	*Standard rate*
g/km	*g/km*	*£*	*£*
0	50	0	10
50	75	15	25
75	90	100	110
90	100	125	135
100	110	145	155
110	130	165	175
130	150	205	215
150	170	530	540
170	190	860	870
190	225	1295	1305
225	255	1840	1850
255	—	2165	2175".

(6) In that paragraph, for Table 2 (higher rate diesel vehicles) substitute—

"CO_2 emissions figure		*Rate*
(1)	*(2)*	*(3)*
Exceeding	*Not exceeding*	*Rate*
g/km	*g/km*	*£*
0	50	25
50	75	110
75	90	135
90	100	155
100	110	175
110	130	215
130	150	540
150	170	870
170	190	1305
190	225	1850
225	255	2175
255	—	2175".

(7) In paragraph 1GD(1) (rates for any other licence for light passenger vehicles registered on or after 1 April 2017)—

(a) in paragraph (a) (reduced rate), for "£135" substitute "£140", and

(b) in paragraph (b) (standard rate), for "£145" substitute "£150".

(8) In paragraph 1GE(2) (rates for light passenger vehicles registered on or after 1 April 2017 with a price exceeding £40,000)—

(a) in paragraph (a), for "£440" substitute "£465", and

(b) in paragraph (b), for "£450" substitute "£475".

(9) In paragraph 1J(a) (rates for light goods vehicles that are not pre-2007 or post-2008 lower emission vans), for "£260" substitute "£265".

(10) In paragraph 2(1) (rates for motorcycles)—

(a) in paragraph (b) (motorbicycles with engine cylinder capacity exceeding 150cc but not exceeding 400cc), for "£43" substitute "£44",

(b) in paragraph (c) (motorbicycles with engine cylinder capacity exceeding 400cc but not exceeding 600cc), for "£66" substitute "£67", and

(c) in paragraph (d) (other cases), for "£91" substitute "£93".

(11) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2020.

84 Applicable CO_2 emissions figure determined using WLTP values

(1) In Schedule 1 to VERA 1994 (annual rates of duty) in paragraph 1GA(5) (meaning of "the applicable CO_2 emissions figure")—

(a) omit "and" at the end of paragraph (a),

(b) in paragraph (b)—

(i) after "figure" insert "of a vehicle first registered before 1 April 2020",

(ii) for "light-duty" substitute "light", and

(iii) after "EU certificate of conformity" insert "or UK approval certificate", and

(c) at the end of paragraph (b) insert ", and

(c) for the purpose of determining the applicable CO_2 emissions figure of a vehicle first registered on or after 1 April 2020, ignore any values specified in an EU certificate of conformity or UK approval certificate that are not WLTP (worldwide harmonised light vehicle test procedures) values".

(2) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2020.

85 Electric vehicles: extension of exemption

(1) VERA 1994 is amended as follows.

(2) In paragraph 25 of Schedule 2 (exempt vehicles: light passenger vehicles with low CO_2 emissions) omit sub-paragraphs (5) and (6) (no exemption if vehicle price exceeds £40,000 etc).

(3) As a consequence, Part 1AA of Schedule 1 (annual rates of duty: light passenger vehicles registered on or after 1 April 2017) is amended as follows.

(4) In paragraph 1GB (exemption from paying duty on first vehicle licence for certain vehicles)—

(a) in sub-paragraph (1) omit "(2) or", and

(b) omit sub-paragraph (2).

(5) In paragraph 1GD (rates of duty payable on any other vehicle licence for vehicle), in sub-paragraph (2) omit "or (4)".

(6) In paragraph 1GE (higher rates of duty: vehicles with a price exceeding £40,000)—

(a) omit sub-paragraphs (3) and (4), and

(b) in sub-paragraph (5) for "sub-paragraphs (2) and (4) do" substitute "Sub-paragraph (2) does".

(7) In paragraph 1GF (calculating the price of a vehicle), in sub-paragraph (1) omit "and (3)(a)".

(8) The amendments made by this section come into force on 1 April 2020 but do not apply in relation to licences in force immediately before that date.

86 Motor caravans

(1) In VERA 1994, in Part 1AA of Schedule 1 (annual rates of duty: light passenger vehicles registered on or after 1 April 2017), paragraph 1GA is amended as follows.

(2) After sub-paragraph (1) insert—

"(1A) But this Part of this Schedule does not apply to a motor caravan which is first registered, under this Act or under the law of a country or territory outside the United Kingdom, on or after 12 March 2020."

(3) After sub-paragraph (2) insert—

"(2A) For the purposes of sub-paragraph (1A) a vehicle is a "motor caravan" if the certificate mentioned in sub-paragraph (1)(b) identifies the vehicle as a motor caravan within the meaning of Annex II to Directive 2007/46/EC."

87 Exemption in respect of medical courier vehicles

(1) Schedule 2 to VERA 1994 (exempt vehicles) is amended as follows.

(2) In the heading before paragraph 6, after "Ambulances" insert ", medical courier vehicles".

(3) After paragraph 6 insert—

"6A (1) A vehicle is an exempt vehicle if—

(a) it is used primarily for the transportation of medical items,

(b) it is readily identifiable as a vehicle used for the transportation of medical items by being marked "Blood" on both sides, and

(c) it is registered under this Act in the name of a charity whose main purpose is to provide services for the transportation of medical items.

(2) In this paragraph—

"charity" means a charity as defined by paragraph 1 of Schedule 6 to the Finance Act 2010;

"medical items" means items intended for use for medical purposes, including in particular—

(a) blood;

(b) medicines and other medical supplies;

(c) items relating to people who are undergoing medical treatment;

"item" includes any substance."

(4) The amendments made by this section come into force on 1 April 2020.

88 HGV road user levy

(1) Section 5(2) of the HGV Road User Levy Act 2013 (HGV road user levy charged for all periods for which a UK heavy goods vehicle is charged to vehicle excise duty) does not apply where the period for which a UK heavy goods vehicle is charged to vehicle excise duty is a period that begins in the exempt period.

(2) Section 6(2) of the 2013 Act (HGV road user levy charged in respect of non-UK heavy goods vehicle for each day on which the vehicle is used or kept on a road to which the Act applies) does not apply in respect of any day in the exempt period.

(3) The exempt period is the period of 12 months beginning with 1 August 2020.

(4) Section 7 of the 2013 Act (rebate of levy) has effect as if, after subsection (2A), there were inserted—

"(2B) A rebate entitlement also arises where HGV road user levy has been paid in respect of a non-UK heavy goods vehicle in accordance with section 6(2) in respect of any part of the exempt period within the meaning of section 88(3) of the Finance Act 2020."

Hydrocarbon oil duties

89 Rebated fuel: private pleasure craft

Schedule 11 makes provision about the use of rebated fuel in private pleasure craft.

Air passenger duty

90 Rates of air passenger duty from 1 April 2021

(1) In section 30(4A) of FA 1994 (air passenger duty: long haul rates)—

(a) in paragraph (a), for "£80" substitute "£82", and

(b) in paragraph (b), for "£176" substitute "£180".

(2) The amendments made by this section have effect in relation to the carriage of passengers beginning on or after 1 April 2021.

Gaming duty

91 Amounts of gross gaming yield charged to gaming duty

(1) In section 11(2) of FA 1997 (rates of gaming duty), for the table substitute—

"TABLE

Part of gross gaming yield	Rate
The first £2,471,000	15%
The next £1,703,500	20%
The next £2,983,000	30%
The next £6,296,500	40%
The remainder	50%".

(2) The amendment made by this section has effect in relation to accounting periods beginning on or after 1 April 2020.

Environmental taxes

92 Rates of climate change levy until 1 April 2021

(1) Paragraph 42 of Schedule 6 to FA 2000 (climate change levy: amount payable by way of levy) is amended as follows.

(2) In sub-paragraph (1), for the table substitute—

"Taxable commodity supplied	*Rate at which levy payable if supply is not a reduced-rate supply*
Electricity	£0.00811 per kilowatt hour
Gas supplied by a gas utility or any gas supplied in a gaseous state that is of a kind supplied by a gas utility	£0.00406 per kilowatt hour
Any petroleum gas, or other gaseous hydrocarbon, supplied in a liquid state	£0.02175 per kilogram
Any other taxable commodity	£0.03174 per kilogram".

(3) In sub-paragraph (1)—

(a) in paragraph (ba) (reduced-rate supplies of electricity), for "7" substitute "8",

(b) after that paragraph insert—

"(bb) if the supply is a reduced-rate of supply of any petroleum gas, or other gaseous hydrocarbon, supplied in a liquid state, 23 per cent of the amount that would be payable if the supply were a supply to which paragraph (a) applies;", and

(c) in paragraph (c) (other reduced-rate supplies), for "22" substitute "19".

(4) In consequence of the amendment made by subsection (3), in the Notes to paragraph 2 of Schedule 1 to the Climate Change Levy (General) Regulations 2001, for the definition of "r" substitute—

"r= 0.92 in the case of electricity; 0.77 in the case of any petroleum gas, or other gaseous hydrocarbon, supplied in a liquid state; and 0.81 in any other case."

(5) The amendments made by this section have effect in relation to supplies treated as taking place on or after 1 April 2020.

93 Rates of climate change levy from 1 April 2021

(1) Paragraph 42 of Schedule 6 to FA 2000 (climate change levy: amount payable by way of levy) is amended as follows.

(2) In sub-paragraph (1), for the table substitute—

"TABLE

Taxable commodity supplied	*Rate at which levy payable if supply is not a reduced-rate supply*
Electricity	£0.00775 per kilowatt hour

Taxable commodity supplied	*Rate at which levy payable if supply is not a reduced-rate supply*
Gas supplied by a gas utility or any gas supplied in a gaseous state that is of a kind supplied by a gas utility	£0.00465 per kilowatt hour
Any petroleum gas, or other gaseous hydrocarbon, supplied in a liquid state	£0.02175 per kilogram
Any other taxable commodity	£0.03640 per kilogram".

(3) In sub-paragraph (1)(c), as amended by section 92(3)(c), for "19" substitute "17".

(4) In consequence of the amendment made by subsection (3), in the definition of "r" in the Notes to paragraph 2 of Schedule 1 to the Climate Change Levy (General) Regulations 2001, as amended by section 92(4), for "0.81" substitute "0.83".

(5) The amendments made by this section have effect in relation to supplies treated as taking place on or after 1 April 2021.

94 Rates of landfill tax

(1) Section 42 of FA 1996 (amount of landfill tax) is amended as follows.

(2) In subsection (1)(a) (standard rate), for "£91.35" substitute "£94.15".

(3) In subsection (2) (reduced rate for certain disposals), in the words after paragraph (b) —

(a) for "£91.35" substitute "£94.15", and
(b) for "£2.90" substitute "£3".

(4) The amendments made by this section have effect in relation to disposals made (or treated as made) on or after 1 April 2020.

95 Carbon emissions tax

Schedule 12 makes provision about carbon emissions tax.

96 Charge for allocating allowances under emissions reduction trading scheme

(1) The Treasury may impose charges by providing in regulations for emissions allowances to be allocated in return for payment.

(2) Regulations under subsection (1) may in particular include provision—

(a) for persons other than persons to whom a trading scheme applies to be allocated emissions allowances in return for payment;
(b) as to the imposition of fees and the making and forfeiting of deposits;
(c) as to the person by whom allocations in return for payment are to be conducted;
(d) for allocations in return for payment to be overseen by an independent person appointed by the Treasury;
(e) for the imposition of penalties for failure to comply with the terms of the regulations or of a scheme under subsection (3);

(f) for the imposition of interest in respect of any charges, fees or penalties due under the regulations;

(g) for and in connection with the recovery of any charges, fees, penalties or interest due under the regulations;

(h) conferring rights of appeal against decisions made in allocations in return for payment, the forfeiting of deposits and the imposition of penalties (including specifying the person, court or tribunal to hear and determine appeals).

(3) The Treasury may make schemes about the conduct and terms of allocations of emissions allowances in return for payment (the schemes having effect subject to any regulations under this section).

(4) Schemes under subsection (3) may in particular include provision about—

(a) who may participate in allocations in return for payment,

(b) the allowances to be allocated in return for payment, and

(c) where and when allocations in return for payment are to take place.

(5) Regulations under this section are to be made by statutory instrument.

(6) A statutory instrument containing the first regulations under this section may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, the House of Commons.

(7) Any other statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons (unless a draft of the instrument has been laid before, and approved by a resolution of, that House).

(8) In this section—

"emissions allowance" means an allowance under paragraph 5 of Schedule 2 to the Climate Change Act 2008 relating to a trading scheme;

"trading scheme" means a trading scheme dealt with under Part 1 of that Schedule (schemes limiting activities relating to emissions of greenhouse gas).

Import duty

97 International trade disputes

In section 15(1)(b) of TCTA 2018 (import duty: international disputes etc), for "is authorised under international law" substitute "considers that (having regard to the matters set out in section 28 and any other relevant matters) it is appropriate".

PART 4

MISCELLANEOUS AND FINAL

Insolvency

98 HMRC debts: priority on insolvency

(1) In section 386 of the Insolvency Act 1986 (preferential debts)—

(a) in subsection (1) after "other deposits" insert "; certain HMRC debts";
(b) in subsection (1B) for "or 15BB" substitute ", 15BB or 15D".

(2) In Schedule 6 to that Act (preferential debts) after paragraph 15C insert—

"Category 9: Certain HMRC debts

15D (1) Any amount owed at the relevant date by the debtor to the Commissioners in respect of—
(a) value added tax, or
(b) a relevant deduction.

(2) In sub-paragraph (1), the reference to "any amount" is subject to any regulations under section 99(1) of the Finance Act 2020.

(3) For the purposes of sub-paragraph (1)(b) a deduction is "relevant" if—
(a) the debtor is required, by virtue of an enactment, to make the deduction from a payment made to another person and to pay an amount to the Commissioners on account of the deduction,
(b) the payment to the Commissioners is credited against any liabilities of the other person, and
(c) the deduction is of a kind specified in regulations under section 99(3) of the Finance Act 2020.

(4) In this paragraph "the Commissioners" means the Commissioners for Her Majesty's Revenue and Customs."

(3) In section 129(2) of the Bankruptcy (Scotland) Act 2016 (asp 21) (priority in distribution: meaning of certain expressions) in the definition of "secondary preferred debt" for "paragraph 7 or 8" substitute "any of paragraphs 7 to 8A".

(4) In Part 1 of Schedule 3 to that Act (list of preferred debts) after paragraph 8 insert—

"Certain HMRC debts

8A (1) Any amount owed at the relevant date by the debtor to the Commissioners in respect of—
(a) value added tax, or
(b) a relevant deduction.

(2) In sub-paragraph (1), the reference to "any amount" is subject to any regulations under section 99(1) of the Finance Act 2020.

(3) For the purposes of sub-paragraph (1)(b) a deduction is "relevant" if—
(a) the debtor is required, by virtue of an enactment, to make the deduction from a payment made to another person and to pay an amount to the Commissioners on account of the deduction,
(b) the payment to the Commissioners is credited against any liabilities of the other person, and
(c) the deduction is of a kind specified in regulations under section 99(3) of the Finance Act 2020.

(4) In this paragraph "the Commissioners" means the Commissioners for Her Majesty's Revenue and Customs."

(5) In Article 346 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)) (preferential debts)—

(a) in paragraph (1) after "other deposits" insert "; certain HMRC debts";

(b) in paragraph (1B) for "or 20" substitute ", 20 or 22".

(6) In Schedule 4 to that Order (preferential debts) after paragraph 21 insert—

Category 9: Certain HMRC debts

"22 (1) Any amount owed at the relevant date by the debtor to the Commissioners in respect of—

(a) value added tax, or

(b) a relevant deduction.

(2) In sub-paragraph (1), the reference to "any amount" is subject to any regulations under section 99(1) of the Finance Act 2020.

(3) For the purposes of sub-paragraph (1)(b) a deduction is "relevant" if—

(a) the debtor is required, by virtue of an enactment, to make the deduction from a payment made to another person and to pay an amount to the Commissioners on account of the deduction,

(b) the payment to the Commissioners is credited against any liabilities of the other person, and

(c) the deduction is of a kind specified in regulations under section 99(3) of the Finance Act 2020.

(4) In this paragraph "the Commissioners" means the Commissioners for Her Majesty's Revenue and Customs."

(7) The amendments made by this section do not apply in relation to any case where the relevant date is before 1 December 2020.

99 HMRC debts: regulations

(1) The Treasury may by regulations provide that only the following amounts are secondary preferential debts (or, in relation to Scotland, secondary preferred debts) for the purpose of a relevant provision—

(a) in the case of amounts owed in respect of value added tax, amounts referable to such period as is specified in the regulations;

(b) in the case of amounts owed in respect of a relevant deduction, amounts owed in respect of a deduction from a payment made during such period as is specified in the regulations.

(2) In subsection (1) "relevant provision" means—

(a) paragraph 15D(1) of Schedule 6 to the Insolvency Act 1986 (preferential debts: certain HMRC debts);

(b) paragraph 8A(1) of Schedule 3 to the Bankruptcy (Scotland) Act 2016 (asp 21) (list of preferred debts: certain HMRC debts);

(c) paragraph 22(1) of Schedule 4 to the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)) (preferential debts: certain HMRC debts).

(3) The Treasury may by regulations specify kinds of deductions for the purposes of—

(a) paragraph 15D(3)(c) of Schedule 6 to the Insolvency Act 1986;
(b) paragraph 8A(3)(c) of Schedule 3 to the Bankruptcy (Scotland) Act 2016 (asp 21);
(c) paragraph 22(3)(c) of Schedule 4 to the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)).

(4) Regulations under this section may contain transitional or supplementary provision.

(5) Regulations under this section—
(a) are to be made by statutory instrument;
(b) are subject to annulment in pursuance of a resolution of the House of Commons.

Joint and several liability

100 Joint and several liability of company directors etc

(1) Schedule 13 makes provision for individuals to be jointly and severally liable, in certain circumstances involving insolvency or potential insolvency, for amounts payable to the Commissioners for Her Majesty's Revenue and Customs by bodies corporate or unincorporate.

(2) A reference in Schedule 13 to a tax liability of a company does not include—
(a) any tax liability that relates to a period ending before the day on which this Act is passed;
(b) any tax liability (other than one that relates to a period) arising from an event or default occurring before that day.

(3) For the purposes of subsection (2), a tax liability relates to a period if—
(a) the liability arises in respect of a particular tax year, accounting period or other period, or
(b) the amount of the liability is calculated by reference to a particular period.

(4) A reference in paragraph 5 of Schedule 13 to a penalty does not include any penalty in respect of which the determination to impose the penalty, or (as the case may be) the commencement of proceedings before the tribunal for the penalty to be imposed, occurs before the day on which this Act is passed.

General anti-abuse rule

101 Amendments relating to the operation of the GAAR

Schedule 14 makes—
(a) provision about the procedural requirements and time limits for the making of adjustments by virtue of section 209 of FA 2013, and
(b) provision amending paragraph 5 of Schedule 43C to that Act.

Compensation schemes etc

102 Tax relief for scheme payments etc

Schedule 15 makes provision for tax relief in respect of—

(a) payments made under or otherwise referable to the Windrush Compensation Scheme,

(b) payments under the Troubles Permanent Disablement Payment Scheme, and

(c) other compensation payments made by or on behalf of a government, public authority or local authority.

Administration

103 HMRC: exercise of officer functions

(1) Anything capable of being done by an officer of Revenue and Customs by virtue of a function conferred by or under an enactment relating to taxation may be done by HMRC (whether by means involving the use of a computer or otherwise).

(2) Accordingly, it follows that HMRC may (among other things)—

(a) give a notice under section 8, 8A or 12AA of TMA 1970 (notice to file personal, trustee or partnership return);

(b) amend a return under section 9ZB of that Act (correction of personal or trustee return);

(c) make an assessment to tax in accordance with section 30A of that Act (assessing procedure);

(d) make a determination under section 100 of that Act (determination of penalties);

(e) give a notice under paragraph 3 of Schedule 18 to FA 1998 (notice to file company tax return);

(f) make a determination under paragraph 2 or 3 of Schedule 14 to FA 2003 (SDLT: determination of penalties).

(3) Anything done by HMRC in accordance with subsection (1) has the same effect as it would have if done by an officer of Revenue and Customs (or, where the function is conferred on an officer of a particular kind, an officer of that kind).

(4) In this section—

"HMRC" means Her Majesty's Revenue and Customs;

references to an officer of Revenue and Customs include an officer of a particular kind, such as an officer authorised for the purposes of an enactment.

(5) This section is treated as always having been in force.

(6) However, this section does not apply in relation to anything mentioned in subsection (1) done by HMRC if—

(a) before 11 March 2020, a court or tribunal determined that the relevant act was of no effect because it was not done by an officer of Revenue and Customs (or an officer of a particular kind), and

(b) at the beginning of 11 March 2020, the order of the court or tribunal giving effect to that determination had not been set aside or overturned on appeal.

104 Returns relating to LLP not carrying on business etc with view to profit

(1) In TMA 1970 after section 12ABZA insert—

"**12ABZAA Returns relating to LLP not carrying on business etc with view to profit**

(1) This section applies where—
- (a) a person delivers a purported partnership return ("the relevant return") in respect of a period ("the relevant period"),
- (b) the relevant return—
  - (i) is made on the basis that the activities of a limited liability partnership ("the LLP") are treated, under section 863 of ITTOIA 2005 or section 1273 of CTA 2009, as carried on in partnership by its members ("the purported partnership"), and
  - (ii) relates to the purported partnership, but
- (c) the LLP does not carry on a business with a view to profit in the relevant period (and, accordingly, its activities are not treated as mentioned in paragraph (b)(i)).

(2) For the purposes of the relevant enactments, treat the relevant return as a partnership return (and, accordingly, anything done under a relevant enactment in connection with the relevant return has the same effect as it would have if done in connection with a partnership return in a corresponding partnership case).

(3) "Relevant enactment" means—
- (a) any of the following—
  - (i) sections 12AC and 28B (enquiries into partnership returns),
  - (ii) Part 4 of FA 2014 (follower notices and accelerated payment notices), and
- (b) any enactment relating to, or applying for the purposes of, an enactment within paragraph (a).

(4) In relation to the relevant return, the relevant enactments apply with the necessary modifications, including in particular the following—
- (a) "partner" includes purported partner, and
- (b) "partnership" includes the purported partnership.

(5) In this section—

"business" includes trade or profession;

"corresponding partnership case" means a corresponding case in which the limited liability partnership in question carries on a business with a view to profit in the relevant period;

"purported partner" means any person who was a member of the LLP in the relevant period;

"purported partnership return" means anything that—
- (a) purports to be a partnership return, and
- (b) is in a form, and is delivered in a way, that a partnership return could have been made and delivered in a corresponding partnership case."

(2) The amendment made by subsection (1) is treated as always having been in force.

(3) However, that amendment does not apply in relation to a purported partnership return if—

(a) before 11 March 2020, a court or tribunal determined, in proceedings to which a limited liability partnership was a party, that the purported partnership return was not a return under section 12AA of TMA 1970, and

(b) at the beginning of 11 March 2020, the order of the court or tribunal giving effect to that determination had not been set aside or overturned on appeal.

(4) In Part 1 of Schedule 14 to F(No.2)A 2017 (digital reporting and record-keeping for income tax etc: amendments of TMA 1970), after paragraph 10B insert—

"10BA(1) Section 12ABZAA (returns relating to LLP not carrying on business etc with view to profit) is amended as follows.

(2) For subsection (2) substitute—

"(2) For the purposes of the relevant enactments—

(a) where the relevant return purports to be a section 12AA partnership return, treat it as a section 12AA partnership return;

(b) where the relevant return purports to be a Schedule A1 partnership return, treat it as a Schedule A1 partnership return,

(and, accordingly, anything done under a relevant enactment in connection with the relevant return has the same effect as it would have if done in connection with a section 12AA or Schedule A1 partnership return (as the case may be) in a corresponding partnership case)."

(3) In subsection (5), in the definition of "purported partnership return"—

(a) in paragraph (a), for "partnership return" substitute "section 12AA or Schedule A1 partnership return";

(b) in paragraph (b), for "partnership return" substitute "section 12AA or Schedule A1 partnership return (as the case may be)"."

(5) The reference in section 61(6) of F(No.2)A 2017 (commencement) to Schedule 14 to that Act is to be read as a reference to that Schedule as amended by subsection (4) of this section.

105 Interest on unpaid tax in case of disaster etc of national significance

(1) Section 135 of FA 2008 (interest on unpaid tax in case of disaster etc of national significance) is amended as follows.

(2) In subsection (2), for the words from "arising" to the end substitute "that—

(a) arises under or by virtue of an enactment or a contract settlement, and

(b) is of a description (if any) specified in the order."

(3) In subsection (4)—

(a) after "relief period" insert ", in relation to a deferred amount,";

(b) in paragraph (b), after "revoked" insert "or amended so that it ceases to have effect in relation to the deferred amount".

(4) In subsection (10)—

(a) at the end of paragraph (a), omit "and";

(b) at the end of paragraph (b) insert ", and

(c) may specify different dates in relation to liabilities of different descriptions."

(5) The amendments made by this section have effect from 20 March 2020.

Coronavirus

106 Taxation of coronavirus support payments

(1) Schedule 16 makes provision about the taxation of coronavirus support payments.

(2) In this section, and in that Schedule, "coronavirus support payment" means a payment made (whether before or after the passing of this Act) under any of the following schemes—

(a) the coronavirus job retention scheme;

(b) the self-employment income support scheme;

(c) any other scheme that is the subject of a direction given under section 76 of the Coronavirus Act 2020 (functions of Her Majesty's Revenue and Customs in relation to coronavirus or coronavirus disease);

(d) the coronavirus statutory sick pay rebate scheme;

(e) a coronavirus business support grant scheme;

(f) any scheme specified or described in regulations made under this section by the Treasury.

(3) The Treasury may by regulations make provision about the application of Schedule 16 to a scheme falling within subsection (2)(c) to (f) (including provision modifying paragraph 8 of that Schedule so that it applies to payments made under a coronavirus business support grant scheme).

(4) Regulations under this section may make provision about coronavirus support payments made before (as well as after) the making of the regulations.

(5) In this section, and in that Schedule—

"coronavirus" and "coronavirus disease" have the meaning they have in the Coronavirus Act 2020 (see section 1 of that Act);

"coronavirus business support grant scheme" means any scheme (whether announced or operating before or after the passing of this Act), other than a scheme within subsection (2)(a) to (d), under which a public authority makes grants to businesses with the object of providing support to those businesses in connection with any effect or anticipated effect (direct or indirect) of coronavirus or coronavirus disease;

"the coronavirus job retention scheme" means the scheme (as it has effect from time to time) that is the subject of the direction given by the Treasury on 15 April 2020 under section 76 of the Coronavirus Act 2020;

"the coronavirus statutory sick pay rebate scheme" means the scheme (as it has effect from time to time) given effect to by the Statutory Sick Pay (Coronavirus) (Funding of Employers' Liabilities) Regulations 2020 (S.I. 2020/512);

"employment-related scheme" means the coronavirus job retention scheme or the coronavirus statutory sick pay rebate scheme;

"the self-employment income support scheme" means the scheme (as it has effect from time to time) that is the subject of the direction given by the Treasury on 30 April 2020 under section 76 of the Coronavirus Act 2020.

(6) Examples of coronavirus business support grant schemes as at 24 June 2020 include—

(a) the small business grant fund that is the subject of the guidance about that scheme and the retail, hospitality and leisure grant fund published by the Department for Business, Energy & Industrial Strategy on 1 April 2020;

(b) the retail, hospitality and leisure grant fund that is the subject of that guidance;

(c) the local authority discretionary grants fund that is the subject of the guidance about that scheme published by the Department for Business, Energy & Industrial Strategy on 13 May 2020;

(d) the schemes corresponding to the small business grant fund, retail and hospitality grant fund and local authority discretionary grants fund in Scotland, Wales and Northern Ireland.

107 Enterprise management incentives: disqualifying events

(1) The modifications made by this section apply for the purposes of determining whether a disqualifying event occurs or is treated as occurring in relation to an employee in accordance with section 535 of ITEPA 2003 (enterprise management incentives: disqualifying events relating to employee).

(2) Paragraph 26 of Schedule 5 to ITEPA 2003 (requirement as to commitment of working time) has effect as if, in sub-paragraph (3)—

(a) the "or" at the end of paragraph (c) were omitted, and

(b) at the end of paragraph (d), there were inserted ", or

(e) not being required to work for reasons connected with coronavirus disease (within the meaning given by section 1(1) of the Coronavirus Act 2020)."

(3) Paragraph 27 of that Schedule (meaning of "working time") has effect as if, in sub-paragraph (1)(b), for "(d)" there were substituted "(e)".

(4) Section 535 of ITEPA 2003 has effect as if, in the closing words of subsection (3), for "(d)" there were substituted "(e)".

(5) The modifications made by this section have effect in relation to the period—

(a) beginning with 19 March 2020, and

(b) ending with 5 April 2021.

(6) The Treasury may by regulations made in the tax year 2020-21 amend subsection (5)(b) by replacing "2021" with "2022".

108 Protected pension age of members re-employed as a result of coronavirus

(1) In FA 2004, in Schedule 36 (pension schemes etc), paragraph 22 (rights to take benefit before normal minimum pension age) is amended as follows.

(2) In sub-paragraph (7F), at the end of paragraph (b) insert ", and

(c) that the member is or was employed as mentioned in sub-paragraph (7B)(a) where—

(i) the employment began at any time during the coronavirus period, and

(ii) the only or main reason that the member was taken into employment was to help the employer to respond to the public health, social, economic or other effects of coronavirus."

(3) After sub-paragraph (7J) insert—

"(7K) In sub-paragraph (7F)(c)—

"coronavirus" has the same meaning as in the Coronavirus Act 2020 (see section 1(1) of that Act);

"the coronavirus period" means the period beginning with 1 March 2020 and ending with 1 November 2020.

(7L) The Treasury may by regulations amend the definition of "the coronavirus period" in sub-paragraph (7K) so as to replace the later of the dates specified in it with another date falling before 6 April 2021.

(7M) The power in sub-paragraph (7L) may be exercised on more than one occasion."

(4) The amendments made by this section are treated as having come into force on 1 March 2020.

109 Modifications of the statutory residence test in connection with coronavirus

(1) This section applies for the purposes of determining—

(a) whether an individual was or was not resident in the United Kingdom for the tax year 2019-20 for the purposes of relevant tax, and

(b) if an individual was not so resident in the United Kingdom for the tax year 2019-20 (including as a result of this section), whether the individual was or was not resident in the United Kingdom for the tax year 2020-21 for the purposes of relevant tax.

"Relevant tax" has the meaning given by paragraph 1(4) of Schedule 45 to FA 2013 (statutory residence test).

(2) That Schedule is modified in accordance with subsections (3) to (13).

(3) Paragraph 8 (second automatic UK test: days at overseas homes) has effect as if after sub-paragraph (5) there were inserted—

"(5A) For the purposes of sub-paragraphs (1)(b) and (4), a day does not count as a day when P is present at a home of P's in the UK if it is a day that would fall within the third case in paragraph 22(7) (if P were present in the UK at the end of it)."

(4) Paragraph 22 (key concepts: days spent) has effect as if—

(a) in sub-paragraph (2), for "two cases" there were substituted "three cases";

(b) after sub-paragraph (6) there were inserted—

"(7) The third case is where—

(a) that day falls within the period beginning with 1 March 2020 and ending with 1 June 2020,

(b) on that day P is present in the UK for an applicable reason related to coronavirus disease, and

(c) in the tax year in question, P is resident in a territory outside the UK ("the overseas territory").

(8) The following are applicable reasons related to coronavirus disease—

(a) that P is present in the UK as a medical or healthcare professional for purposes connected with the detection, treatment or prevention of coronavirus disease;

(b) that P is present in the UK for purposes connected with the development or production of medicinal products (including vaccines), devices, equipment or facilities related to the detection, treatment or prevention of coronavirus disease.

(9) For the purposes of sub-paragraph (7)(c), P is resident in an overseas territory in the tax year in question if P is considered for tax purposes to be a resident of that territory in accordance with the laws of that territory.

(10) The Treasury may by regulations made by statutory instrument—

(a) amend sub-paragraph (7)(a) so as to replace the later of the dates specified in it with another date falling before 6 April 2021;

(b) amend this paragraph so as to add one or more applicable reasons related to coronavirus disease.

(11) The powers under sub-paragraph (10) may be exercised on more than one occasion.

(12) A statutory instrument containing regulations under sub-paragraph (10) is subject to annulment in pursuance of a resolution of the House of Commons."

(5) Paragraph 23 (key concepts: days spent and the deeming rule) has effect as if after sub-paragraph (5) there were inserted—

"(5A) For the purposes of sub-paragraphs (3)(b) and (4), a day does not count as a qualifying day if it is a day that would fall within the third case in paragraph 22(7) (if P were present in the UK at the end of it)."

(6) Paragraph 28(2) (rules for calculating the reference period) has effect as if—

(a) in paragraph (b) the "and" at the end were omitted;

(b) after paragraph (b) there were inserted—

"(ba) absences from work at times during the period specified in an emergency volunteering certificate issued to P under Schedule 7 to the Coronavirus Act 2020 (emergency volunteering leave), and";

(c) in paragraph (c), for "or (b)" there were substituted ", (b) or (ba)".

(7) Paragraph 29 (significant breaks from UK or overseas work) has effect as if in sub-paragraphs (1)(b) and (2)(b), for "or parenting leave" there were substituted ", parenting leave or emergency volunteering leave under Schedule 7 to the Coronavirus Act 2020".

(8) Paragraph 32 (family tie) has effect as if after sub-paragraph (4) there were inserted—

"(4A) But a day does not count as a day on which P sees the child if the day on which P sees the child would be a day falling within the third case in paragraph 22(7) (if P were present in the UK at the end of it)."

(9) Paragraph 34 (accommodation tie) has effect as if after sub-paragraph (1) there were inserted—

"(1A) For the purposes of sub-paragraph (1)—

(a) if the place is available to P on a day that would fall within the third case in paragraph 22(7) (if P were present in the UK at the end of that day), that day is to be disregarded for the purposes of sub-paragraph (b), and

(b) a night spent by P at the place immediately before or after a day that would fall within the third case in paragraph 22(7) (if P were present in the UK at the end of that day) is to be disregarded for the purposes of sub-paragraph (c)."

(10) Paragraph 35 (work tie) has effect as if after sub-paragraph (2) there were inserted—

"(3) But a day that would fall within the third case in paragraph 22(7) (if P were present in the UK at the end of it) does not count as a day on which P works in the UK."

(11) Paragraph 37 (90-day tie) has effect as if—

(a) the existing text were sub-paragraph (1);

(b) after that sub-paragraph, there were inserted—

"(2) For the purposes of sub-paragraph (1), a day that would fall within the third case in paragraph 22(7) (if P were present in the UK at the end of it) does not count as a day P has spent in the UK in the year in question."

(12) Paragraph 38 (country tie) has effect as if after sub-paragraph (3) there were inserted—

"(4) For the purposes of sub-paragraph (3), P is to be treated as not being present in the UK at the end of a day that would fall within the third case in paragraph 22(7) (if P were present in the UK at the end of that day)."

(13) Paragraph 145 (interpretation) has effect as if at the appropriate place there were inserted—

""coronavirus disease" has the same meaning as in the Coronavirus Act 2020 (see section 1(1) of that Act);".

110 Future Fund: EIS and SEIS relief

(1) This section applies if an individual to whom shares in a company have been issued—

(a) enters into a convertible loan agreement with the company under the Future Fund on or after 20 May 2020, and

(b) subsequently receives value from the company under the terms of the agreement.

(2) If, as a result of the receipt of value, any EIS relief attributable to shares issued before the relevant time would (apart from this subsection) be withdrawn or reduced under section 213 of ITA 2007, the value received is to be ignored for the purposes of that section.

(3) If, as a result of the receipt of value, any SEIS relief attributable to shares issued before the relevant time would (apart from this subsection) be withdrawn or reduced under section 257FE of ITA 2007, the value received is to be ignored for the purposes of that section.

(4) If, as a result of the receipt of value, shares issued before the relevant time would (apart from this subsection) cease to be eligible shares by reason of paragraph 13(1)(b) of Schedule 5B to TCGA 1992, the value received is to be ignored for the purposes of that paragraph.

(5) In this section—

"the Future Fund" means the scheme of that name operated from 20 May 2020 by the British Business Bank plc on behalf of the Secretary of State;

"the relevant time" means the time when the individual enters into the convertible loan agreement.

Preparing for new tax

111 Preparing for a new tax in respect of certain plastic packaging

The Commissioners for Her Majesty's Revenue and Customs may make preparations for the introduction of a new tax to be charged in respect of certain plastic packaging.

Local loans

112 Limits on local loans

(1) In section 4(1) of the National Loans Act 1968 (which sets a limit on local loans made in pursuance of section 3 of that Act)—

(a) for "£85 billion" substitute "£115 billion", and

(b) for "£95 billion" substitute "£135 billion".

(2) The Local Loans (Increase of Limit) Order 2019 (SI 2019/1317) is revoked.

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

Other

113 Interpretation

In this Act the following abbreviations are references to the following Acts—

ALDA 1979	Alcoholic Liquor Duties Act 1979
CAA 2001	Capital Allowances Act 2001
CTA 2009	Corporation Tax Act 2009
CTA 2010	Corporation Tax Act 2010
FA, followed by a year	Finance Act of that year
F(No.2)A, followed by a year	Finance (No.2) Act of that year
HODA 1979	Hydrocarbon Oil Duties Act 1979
IHTA 1984	Inheritance Tax Act 1984
ITA 2007	Income Tax Act 2007
ITEPA 2003	Income Tax (Earnings and Pensions) Act 2003
ITTOIA 2005	Income Tax (Trading and Other Income) Act 2005
TCGA 1992	Taxation of Chargeable Gains Act 1992
TCTA 2018	Taxation (Cross-border Trade) Act 2018
TMA 1970	Taxes Management Act 1970
TPDA 1979	Tobacco Products Duty Act 1979
VATA 1994	Value Added Tax Act 1994
VERA 1994	Vehicle Excise and Registration Act 1994

114 Short title

This Act may be cited as the Finance Act 2020.

SCHEDULES

SCHEDULE 1

Section 7

WORKERS' SERVICES PROVIDED THROUGH INTERMEDIARIES

PART 1

AMENDMENTS TO CHAPTER 8 OF PART 2 OF ITEPA 2003

1 Chapter 8 of Part 2 of ITEPA 2003 (application of provisions to workers under arrangements made by intermediaries) is amended as follows.

2 For the heading of the Chapter substitute "Workers' services provided through intermediaries to small clients".

3 (1) Section 48 (scope of Chapter) is amended as follows.

(2) In subsection (1) for the words from ", but" to the end substitute "in a case where the services are provided to a person who is not a public authority and who either—

(a) qualifies as small for a tax year, or

(b) does not have a UK connection for a tax year."

(3) After subsection (3) insert—

"(4) For provisions determining when a person qualifies as small for a tax year, see sections 60A to 60G.

(5) For provision determining when a person has a UK connection for a tax year, see section 60I."

4 (1) Section 50 (worker treated as receiving earnings from employment) is amended as follows.

(2) In subsection (1) before paragraph (a) insert—

"(za) the client qualifies as small or does not have a UK connection,".

(3) After subsection (4) insert—

"(5) The condition in paragraph (za) of subsection (1) is to be ignored if—

(a) the client concerned is an individual, and

(b) the services concerned are performed otherwise than for the purposes of the client's business.

(6) For the purposes of paragraph (za) of subsection (1) the client is to be treated as not qualifying as small for the tax year concerned if the client is treated as medium or large for that tax year by reason of section 61TA(3)(a)."

5 After section 60 insert—

"When a person qualifies as small for a tax year

60A When a company qualifies as small for a tax year

(1) For the purposes of this Chapter, a company qualifies as small for a tax year if one of the following conditions is met (but this is subject to section 60C).

(2) The first condition is that the company's first financial year is not relevant to the tax year.

(3) The second condition is that the small companies regime applies to the company for its last financial year that is relevant to the tax year.

(4) For the purposes of this section, a financial year of a company is "relevant to" a tax year if the period for filing the company's accounts and reports for the financial year ends before the beginning of the tax year.

(5) Expressions used in this section and in the Companies Act 2006 have the same meaning in this section as in that Act.

60B When a company qualifies as small for a tax year: joint ventures

(1) This section applies when determining for the purposes of section 60A(3) whether the small companies regime applies to a company for a financial year in a case where—
   (a) at the end of the financial year the company is jointly controlled by two or more other persons, and
   (b) one or more of those other persons are undertakings ("the joint venturer undertakings").

(2) If the company is a parent company, the joint venturer undertakings are to be treated as members of the group headed by the company.

(3) If the company is not a parent company, the company and the joint venturer undertakings are to be treated as constituting a group of which the company is the parent company.

(4) In this section the expression "jointly controlled" is to be read in accordance with those provisions of international accounting standards which relate to joint ventures.

(5) Expressions used in this section and in the Companies Act 2006 have the same meaning in this section as in that Act.

60C When a company qualifies as small for a tax year: subsidiaries

(1) A company does not qualify as small for a tax year by reason of the condition in section 60A(3) being met if—
   (a) the company is a member of a group at the end of its last financial year that is relevant to the tax year,
   (b) the company is not the parent undertaking of that group at the end of that financial year, and

(c) the undertaking that is the parent undertaking of that group at that time does not qualify as small in relation to its last financial year that is relevant to the tax year.

(2) Where the parent undertaking mentioned in subsection (1)(c) is not a company, sections 382 and 383 of the Companies Act 2006 have effect for determining whether the parent undertaking qualifies as small in relation to its last financial year that is relevant to the tax year as if references in those sections to a company and a parent company included references to an undertaking and a parent undertaking.

(3) For the purposes of subsections (1)(c) and (2) a financial year of an undertaking that is not a company is "relevant to" a tax year if it ends at least 9 months before the beginning of the tax year.

(4) For the purposes of this section, a financial year of a company is "relevant to" a tax year if the period for filing the company's accounts and reports for the financial year ends before the beginning of the tax year.

(5) Expressions used in this section and in the Companies Act 2006 have the same meaning in this section as in that Act.

60D When a relevant undertaking qualifies as small for a tax year

(1) Sections 60A to 60C apply in relation to a relevant undertaking as they apply in relation to a company, subject to any necessary modifications.

(2) In this section "relevant undertaking" means an undertaking in respect of which regulations have effect under—

(a) section 15(a) of the Limited Liability Partnerships Act 2000,

(b) section 1043 of the Companies Act 2006 (unregistered companies), or

(c) section 1049 of the Companies Act 2006 (overseas companies).

(3) Expressions used in this section and in the Companies Act 2006 have the same meaning in this section as in that Act.

60E When other undertakings qualify as small for a tax year

(1) An undertaking that is not a company or a relevant undertaking qualifies as small for a tax year if one of the following conditions is met.

(2) The first condition is that the undertaking's first financial year is not relevant to the tax year.

(3) The second condition is that the undertaking's turnover for its last financial year that is relevant to the tax year is not more than the amount for the time being specified in the second column of item 1 of the Table in section 382(3) of the Companies Act 2006.

(4) For the purposes of this section a financial year of an undertaking is "relevant to" a tax year if it ends at least 9 months before the beginning of the tax year.

(5) In this section—

"relevant undertaking" has the meaning given by section 60D, and

"turnover", in relation to an undertaking, means the amounts derived from the provision of goods or services after the deduction of trade discounts, value added tax and any other taxes based on the amounts so derived.

(6) Expressions used in this section and in the Companies Act 2006 have the same meaning in this section as in that Act.

60F When other persons qualify as small for a tax year

(1) For the purposes of this Chapter, a person who is not a company, relevant undertaking or other undertaking qualifies as small for a tax year if the person's turnover for the last calendar year before the tax year is not more than the amount for the time being specified in the second column of item 1 of the Table in section 382(3) of the Companies Act 2006.

(2) In this section—

"company" and "undertaking" have the same meaning as in the Companies Act 2006,

"relevant undertaking" has the meaning given by section 60D, and

"turnover", in relation to a person, means the amounts derived from the provision of goods or services after the deduction of trade discounts, value added tax and any other taxes based on the amounts so derived.

60G Sections 60A to 60F: connected persons

(1) This section applies where—

(a) it is necessary for the purposes of determining whether a person qualifies as small for a tax year ("the tax year concerned") to first determine the person's turnover for a financial year or calendar year ("the assessment year"), and

(b) at the end of the assessment year the person is connected with one or more other persons ("the connected persons").

(2) For the purposes of determining whether the person qualifies as small for the tax year concerned the person's turnover for the assessment year is to be taken to be the sum of—

(a) the person's turnover for the assessment year, and

(b) the relevant turnover of each of the connected persons.

(3) In subsection (2)(b) "the relevant turnover" of a connected person means—

(a) in a case where the connected person is a company, relevant undertaking or other undertaking, its turnover for its last financial year that is relevant to the tax year concerned, and

(b) in a case where the connected person is not a company, relevant undertaking or other undertaking, the turnover of the connected person for the last calendar year ending before the tax year concerned.

(4) For the purposes of subsection (3)(a)—

(a) a financial year of a company or relevant undertaking is relevant to the tax year concerned if the period for filing accounts and reports for the financial year ends before the beginning of the tax year concerned, and

(b) a financial year of any other undertaking is relevant to the tax year concerned if it ends more than 9 months before the beginning of the tax year concerned.

(5) In a case where—

(a) the person mentioned in subsection (1)(a) is a company or relevant undertaking, and

(b) at the end of the assessment period the person is a member of a group,

the person is to be treated for the purposes of this section as not being connected with any person that is a member of that group.

(6) In this section—

"turnover", in relation to a person, means the amounts derived from the provision of goods or services after the deduction of trade discounts, value added tax and any other taxes based on the amounts so derived, and

"relevant undertaking" has the meaning given by section 60D.

(7) For provision determining whether one person is connected with another, see section 718 (connected persons).

(8) Expressions used in this section and in the Companies Act 2006 have the same meaning in this section as in that Act.

60H Duty on client to state whether it qualifies as small for a tax year

(1) This section applies if, in the case of an engagement that meets conditions (a) to (b) in section 49(1), the client receives from the client's agent or the worker a request to state whether in the client's opinion the client qualifies as small for a tax year specified in the request.

(2) The client must provide to the person who made the request a statement as to whether in the client's opinion the client qualifies as small for the tax year specified in the request.

(3) If the client fails to provide the statement by the time mentioned in subsection (4) the duty to do so is enforceable by an injunction or, in Scotland, by an order for specific performance under section 45 of the Court of Session Act 1988.

(4) The time is whichever is the later of—

(a) the end of the period of 45 days beginning with the date the client receives the request, and

(b) the beginning of the period of 45 days ending with the start of the tax year specified in the request.

(5) In this section "the client's agent" means a person with whom the client entered into a contract as part of the arrangements mentioned in paragraph (b) of section 49(1).

When a person has a UK connection

60I When a person has a UK connection for a tax year

(1) For the purposes of this Chapter, a person has a UK connection for a tax year if (and only if) immediately before the beginning of that tax year the person—

(a) is resident in the United Kingdom, or

(b) has a permanent establishment in the United Kingdom.

(2) In this section "permanent establishment"—

(a) in relation to a company, is to be read (by virtue of section 1007A of ITA 2007) in accordance with Chapter 2 of Part 24 of CTA 2010, and

(b) in relation to any other person, is to be read in accordance with that Chapter but as if references in that Chapter to a company were references to that person.

Interpretation"

6 In section 61(1) (interpretation), in the definition of company, before "means" insert "(except in sections 60A to 60G)".

PART 2

AMENDMENTS TO CHAPTER 10 OF PART 2 OF ITEPA 2003

7 Chapter 10 of Part 2 of ITEPA 2003 (workers' services provided to public sector through intermediaries) is amended as follows.

8 For the heading of the Chapter substitute "Workers' services provided through intermediaries to public authorities or medium or large clients".

9 (1) Section 61K (scope of Chapter) is amended as follows.

(2) In subsection (1) for the words "to a public authority through an intermediary" substitute "through an intermediary in a case where the services are provided to a person who—

(a) is a public authority, or

(b) qualifies as medium or large and has a UK connection for a tax year".

(3) After subsection (2) insert—

"(3) For the purposes of this Chapter a person qualifies as medium or large for a tax year if the person does not qualify as small for the tax year for the purposes of Chapter 8 of this Part (see sections 60A to 60G).

(4) Section 60I (when a person has a UK connection for a tax year) applies for the purposes of this Chapter."

10 In section 61L (meaning of "public authority") in subsection (1)—

(a) after paragraph (a) insert—

"(aa) a body specified in section 23(3) of the Freedom of Information Act 2000,",

(b) omit the "or" at the end of paragraph (e), and

(c) after paragraph (f) insert ", or

(g) a company connected with any person mentioned in paragraphs (a) to (f)."

11 (1) Section 61M (engagements to which the Chapter applies) is amended as follows.

(2) In subsection (1)—

(a) omit paragraph (b),

(b) omit the "and" at the end of paragraph (c), and

(c) after paragraph (c) insert—

"(ca) the client—

(i) is a public authority, or

(ii) is a person who qualifies as medium or large and has a UK connection for one or more tax years during which the arrangements mentioned in paragraph (c) have effect, and".

(3) After subsection (1) insert—

"(1A) But sections 61N to 61R do not apply if—

(a) the client is an individual, and

(b) the services are provided otherwise than for the purposes of the client's trade or business."

12 (1) Section 61N (worker treated as receiving earnings from employment) is amended as follows.

(2) In subsection (3)—

(a) after "subsections (5) to (7)" insert "and (8A)", and

(b) after "61T" insert ", 61TA".

(3) For subsection (5) substitute—

"(5) Unless and until the client gives a status determination statement to the worker (see section 61NA), subsections (3) and (4) have effect as if for any reference to the fee-payer there were substituted a reference to the client; but this is subject to section 61V.

(5A) Subsections (6) and (7) apply, subject to sections 61T, 61TA and 61V, if—

(a) the client has given a status determination statement to the worker,

(b) the client is not the fee-payer, and

(c) the fee-payer is not a qualifying person."

(4) In subsection (8) (meaning of "qualifying person") before paragraph (a) insert—

"(za) has been given by the person immediately above them in the chain the status determination statement given by the client to the worker,".

(5) After subsection (8) insert—

"(8A) If the client is not a public authority, a person is to be treated by subsection (3) as making a deemed direct payment to the worker only if the chain payment made by the person is made in a tax year for which the client qualifies as medium or large and has a UK connection."

13 After section 61N insert—

"**61NA Meaning of status determination statement**

(1) For the purposes of section 61N "status determination statement" means a statement by the client that—

(a) states that the client has concluded that the condition in section 61M(1)(d) is met in the case of the engagement and explains the reasons for that conclusion, or

(b) states (albeit incorrectly) that the client has concluded that the condition in section 61M(1)(d) is not met in the case of the engagement and explains the reasons for that conclusion.

(2) But a statement is not a status determination statement if the client fails to take reasonable care in coming to the conclusion mentioned in it.

(3) For further provisions concerning status determination statements, see section 61T (client-led status disagreement process) and section 61TA (duty for client to withdraw status determination statement if it ceases to be medium or large)."

14 In section 61O(1) (conditions where intermediary is a company) for paragraph (b) substitute—

"(b) it is the case that—

(i) the worker has a material interest in the intermediary,

(ii) the worker has received a chain payment from the intermediary, or

(iii) the worker has rights which entitle, or which in any circumstances would entitle, the worker to receive a chain payment from the intermediary."

15 In section 61R (application of Income Tax Acts in relation to deemed employment) omit subsection (7).

16 For section 61T substitute—

"**61T Client-led status disagreement process**

(1) This section applies if, before the final chain payment is made in the case of an engagement to which this Chapter applies, the worker or the deemed employer makes representations to the client that the conclusion contained in a status determination statement is incorrect.

(2) The client must either—

(a) give a statement to the worker or (as the case may be) the deemed employer that—

(i) states that the client has considered the representations and has decided that the conclusion contained in the status determination statement is correct, and

(ii) states the reasons for that decision, or

(b) give a new status determination statement to the worker and the deemed employer that—

(i) contains a different conclusion from the conclusion contained in the previous status determination statement,

(ii) states the date from which the client considers that the conclusion contained in the new status determination statement became correct, and

(iii) states that the previous status determination statement is withdrawn.

(3) If the client fails to comply with the duty in subsection (2) before the end of the period of 45 days beginning with the date the client receives the representations, section 61N(3) and (4) has effect from the end of that period until the duty is complied with as if for any reference to the fee-payer there were substituted a reference to the client; but this is subject to section 61V.

(4) A new status determination statement given to the deemed employer under subsection (2)(b) is to be treated for the purposes of section 61N(8)(za) as having been given to the deemed employer by the person immediately above the deemed employer in the chain.

(5) In this section—

"the deemed employer" means the person who, assuming one of conditions A to C in section 61N were met, would be treated as making a deemed direct payment to the worker under section 61N(3) on the making of a chain payment;

"status determination statement" has the meaning given by section 61NA.

61TA Duty for client to withdraw status determination statement if it ceases to be medium or large

(1) This section applies if in the case of an engagement to which this Chapter applies—

(a) the client is not a public authority,

(b) the client gives a status determination statement to the worker, the client's agent or both, and

(c) the client does not (but for this section) qualify as medium or large for a tax year beginning after the status determination statement is given.

(2) Before the beginning of the tax year the client must give a statement to the relevant person, or (as the case may be) to both of the relevant persons, stating—

(a) that the client does not qualify as medium or large for the tax year, and

(b) that the status determination statement is withdrawn with effect from the beginning of the tax year.

(3) If the client fails to comply with that duty the following rules apply in relation to the engagement for the tax year—

(a) the client is to be treated as medium or large for the tax year, and

(b) section 61N(3) and (4) have effect as if for any reference to the fee-payer there were substituted a reference to the client.

(4) For the purposes of subsection (2)—

(a) the worker is a relevant person if the status determination statement was given to the worker, and

(b) the deemed employer is a relevant person if the status determination statement was given to the client's agent.

(5) In this section—

"client's agent" means a person with whom the client entered into a contract as part of the arrangements mentioned in section 61M(1)(c);

"the deemed employer" means the person who, assuming one of conditions A to C in section 61N were met, would be treated as making a deemed direct payment to the worker under section 61N(3) on the making of a chain payment;

"status determination statement" has the meaning given by section 61NA."

17 (1) Section 61W (prevention of double charge to tax and allowance of certain deductions) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (b) for "a public authority" substitute "another person ("the client")", and

(b) in paragraph (d) for "that public authority" substitute "the client".

(3) In subsection (2)(b) for "public authority" substitute "client".

PART 3

CONSEQUENTIAL AND MISCELLANEOUS AMENDMENTS

18 In section 61D of ITEPA 2003 (managed service companies: worker treated as receiving earnings from employment) for subsection (4A) substitute—

"(4A) This section does not apply where the provision of the relevant services gives rise (directly or indirectly) to an engagement to which Chapter 10 applies and either—

(a) the client for the purposes of section 61M(1) is a public authority, or

(b) the client for the purposes of section 61M(1)—

(i) qualifies as medium or large for the tax year in which the payment or benefit mentioned in subsection (1)(b) is received, and

(ii) has a UK connection for the tax year in which the payment or benefit mentioned in subsection (1)(b) is received.

(4B) Sections 60I (when a person has a UK connection for a tax year), 61K(3) (when a person qualifies as medium or large for a tax year) and 61L (meaning of public authority) apply for the purposes of subsection (4A).

(4C) It does not matter for the purposes of subsection (4A) whether the client for the purposes of this Chapter is also "the client" for the purposes of section 61M(1)."

19 After section 688A of ITEPA 2003 insert—

"**688AA Workers' services provided through intermediaries: recovery of PAYE**

(1) PAYE Regulations may make provision for, or in connection with, the recovery of a deemed employer PAYE debt from a relevant person.

(2) "A deemed employer PAYE debt" means an amount—

(a) that a person ("the deemed employer") is liable to pay under PAYE regulations in consequence of being treated under section 61N(3) as having made a deemed direct payment to a worker, and

(b) that an officer of Revenue and Customs considers there is no realistic prospect of recovering from the deemed employer within a reasonable period.

(3) "Relevant person", in relation to a deemed employer PAYE debt, means a person who is not the deemed employer and who—

(a) is the highest person in the chain identified under section 61N(1) in determining that the deemed employer is to be treated as having made the deemed direct payment, or

(b) is the second highest person in that chain and is a qualifying person (within the meaning given by section 61N(8)) at the time the deemed employer is treated as having made that deemed direct payment."

20 In section 60 of FA 2004 (construction industry scheme: meaning of contract payments) after subsection (3) insert—

"(3A) This exception applies in so far as—

(a) the payment can reasonably be taken to be for the services of an individual, and

(b) the provision of those services gives rise to an engagement to which Chapter 10 of Part 2 of ITEPA 2003 applies (workers' services provided through intermediaries to public authorities or medium or large clients).

(3B) But the exception in subsection (3A) does not apply if, in the case of the engagement mentioned in paragraph (b) of that subsection, the client for the purposes of section 61M(1) of ITEPA 2003—

(a) is not a public authority, and

(b) either—

(i) does not qualify as medium or large for the tax year in which the payment concerned is made, or

(ii) does not have a UK connection for the tax year in which the payment concerned is made.

(3C) Sections 60I (when a person has a UK connection for a tax year), 61K(3) (when a person qualifies as medium or large for a tax year) and 61L

(meaning of public authority) of ITEPA 2003 apply for the purposes of subsection (3B)."

21 For the italic heading before section 141A of CTA 2009 substitute "Worker's services provided through intermediary to public authority or medium or large client".

22 In the heading of section 141A of CTA 2009 for "public sector" substitute "public authority or medium or large client".

23 (1) Part 13 of CTA 2009 (additional relief for expenditure on research and development) is amended as follows.

(2) In section 1129 (qualifying expenditure on externally provided workers: connected persons) after subsection (4) insert—

"(4A) In subsection (2) the reference to the staff provision payment is to that payment before any deduction is made from the payment under—

(a) section 61S of ITEPA 2003,

(b) regulation 19 of the Social Security Contributions (Intermediaries) Regulations 2000, or

(c) regulation 19 of the Social Security Contributions (Intermediaries) (Northern Ireland) Regulations 2000."

(3) In section 1131 (qualifying expenditure on externally provided workers: other cases) after subsection (2) insert—

"(3) In subsection (2) the reference to the staff provision payment is to that payment before any deduction is made from the payment under—

(a) section 61S of ITEPA 2003,

(b) regulation 19 of the Social Security Contributions (Intermediaries) Regulations 2000, or

(c) regulation 19 of the Social Security Contributions (Intermediaries) (Northern Ireland) Regulations 2000."

(4) After section 1131 insert—

"**1131A Sections 1129 and 1131: secondary Class 1 NICS paid by company**

(1) This section applies if—

(a) a company makes a staff provision payment,

(b) the company is treated as making a payment of deemed direct earnings the amount of which is calculated by reference to the amount of the staff provision payment, and

(c) the company pays a secondary Class 1 national insurance contribution in respect of the payment of deemed direct earnings.

(2) In determining the company's qualifying expenditure on externally provided workers in accordance with section 1129(2) or section 1131(2) the amount of the staff payment provision is to be treated as increased by the amount of the contribution.

(3) In determining the company's qualifying expenditure on externally provided workers in accordance with section 1129(2) the aggregate of the relevant

expenditure of each staff controller is to be treated as increased by the amount of the contribution.

(4) But subsection (2) does not apply to the extent that the expenditure incurred by the company in paying the contribution is met directly or indirectly by a staff controller.

(5) "A payment of deemed direct earning" means a payment the company is treated as making by reason of regulation 14 of the Social Security Contributions (Intermediaries) Regulations 2000 or regulation 14 of the Social Security Contributions (Intermediaries) (Northern Ireland) Regulations 2000."

PART 4

COMMENCEMENT AND TRANSITIONAL PROVISIONS

Commencement

24 The amendments made by Part 1 of this Schedule have effect for the tax year 2021-22 and subsequent tax years.

25 The amendments made by Part 2 of this Schedule have effect in relation to deemed direct payments treated as made on or after 6 April 2021.

26 The amendment made by paragraph 18 of this Schedule has effect for the purposes of determining whether section 61D of ITEPA 2003 applies in a case where the payment or benefit mentioned in subsection (1)(b) of that section is received on or after 6 April 2021.

27 The amendment made by paragraph 20 of this Schedule has effect in relation to payments made under a construction contract on or after 6 April 2021.

28 The amendments made by paragraph 23 of this Schedule have effect in relation to expenditure incurred on or after 6 April 2021.

29 Sections 101 to 103 of FA 2009 (interest) come into force on 6 April 2021 in relation to amounts payable or paid to Her Majesty's Revenue and Customs under regulations made by virtue of section 688AA of ITEPA 2003 (as inserted by paragraph 19 of this Schedule).

Transitional provisions

30 (1) This paragraph applies where—

(a) the client in the case of an engagement to which Chapter 10 of Part 2 of ITEPA 2003 applies is not a public authority within the meaning given by section 61L of ITEPA 2003 (as that section had effect before the amendments made by paragraph 10 of this Schedule), and

(b) a chain payment is made on or after 6 April 2021 that can reasonably be taken to be for services performed by the worker before 6 April 2021.

(2) The chain payment is to be disregarded for the purposes of Chapter 10 of Part 2 of ITEPA 2003.

31 (1) This paragraph applies where—

(a) the client in the case of an engagement to which Chapter 10 of Part 2 of ITEPA 2003 applies is not a public authority within the meaning given by section 61L of ITEPA 2003 (as that section had effect before the amendments made by paragraph 10 of this Schedule), and

(b) one or more qualifying chain payments are made in the tax year 2021-22 or a subsequent tax year ("the tax year concerned") to the intermediary.

(2) A chain payment made to the intermediary is a qualifying chain payment if it can reasonably be taken to be for services performed by the worker before 6 April 2021.

(3) A chain payment made to the intermediary is also a qualifying chain payment if—

(a) another chain payment ("the earlier payment") was made before 6 April 2021 to a person other than the intermediary,

(b) the earlier payment can reasonably be taken to be for the same services as the chain payment made to the intermediary, and

(c) the person who made the earlier payment would, but for paragraph 25 of this Schedule, have been treated by section 61N(3) and (4) of ITEPA 2003 as making a deemed direct payment to the worker at the same time as they made the earlier payment.

(4) Chapter 8 of Part 2 of ITEPA 2003 applies in relation to the engagement for the tax year concerned (in addition to Chapter 10 of Part 2 of ITEPA 2003), but as if—

(a) the amendments made by Part 1 of this Schedule had not been made, and

(b) the qualifying chain payments received by the intermediary in the tax year concerned are the only payments and benefits received by the intermediary in that year in respect of the engagement.

32 (1) This paragraph applies for the purposes of paragraphs 30 and 31 where a chain payment ("the actual payment") is made that can reasonably be taken to be for services of the worker performed during a period that begins before and ends on or after 6 April 2021.

(2) The actual payment is to be treated as two separate chain payments—

(a) one consisting of so much of the amount or value of the actual payment as can on a just and reasonable apportionment be taken to be for services performed before 6 April 2021, and

(b) another consisting of so much of the amount or value of the actual payment as can on a just and reasonable apportionment be taken to be for services performed on or after 6 April 2021.

33 For the purposes of section 61N(5), (5A)(a) and (8)(za) of ITEPA 2003 it does not matter whether the status determination statement concerned is given before 6 April 2021 or on or after that date.

34 For the purposes of section 61T of ITEPA 2003—

(a) it does not matter whether the representations to the client mentioned in subsection (1) of that section were made before 6 April 2021 or on or after that date, but

(b) in a case where the representations were made before 6 April 2021 that section has effect as if the reference in subsection (3) to the date the client receives the representations were to 6 April 2021.

SCHEDULE 2

Sections 15 and 16

THE LOAN CHARGE: CONSEQUENTIAL AMENDMENTS

PART 1

AMENDMENTS TO F(NO.2)A 2017 IN CONSEQUENCE OF SECTION 15

1 Schedule 11 to F(No.2)A 2017 (employment income provided through third parties: loans etc outstanding on 5 April 2019) is amended as follows.

2 In paragraph 1 (application of Part 7A of ITEPA 2003: relevant step) in sub-paragraph (2) for the words from "before" to the end substitute "before the end of 5 April 2019."

3 For the italic heading before paragraph 2 substitute "Meaning of "loan" and "quasi loan"".

4 In paragraph 2 (meaning of "loan", "quasi-loan" and "approved repayment date") omit sub-paragraph (6).

5 (1) Paragraph 4 (when an amount of a loan is outstanding: certain repayments to be disregarded) is amended as follows.

(2) In sub-paragraph (1)(b)(ii) for "the relevant date" substitute "5 April 2019".

(3) In sub-paragraph (2) for "the relevant date" substitute "5 April 2019".

(4) Omit sub-paragraph (4).

6 In paragraph 5 (meaning of "outstanding": loans where A or B acquires a right to payment of the loan) in sub-paragraph (1)(b) for "6 April 1999" substitute "9 December 2010".

7 In paragraph 13 (meaning of "outstanding": quasi-loans where A or B acquires a right to the payment or transfer of assets) in sub-paragraph (1)(b) for "6 April 1999" substitute "9 December 2010".

8 Omit paragraph 19 (meaning of "approved fixed term loan") and the italic heading before that paragraph.

9 For the heading of Part 2 substitute "Accelerated payments".

10 Omit paragraphs 20 to 22 and the italic headings before each of those paragraphs.

11 Omit the italic heading before paragraph 23.

12 (1) Paragraph 23 (accelerated payments) is amended as follows.

(2) In sub-paragraph (1)—

(a) in paragraph (d) for "the relevant date" substitute "5 April 2019", and

(b) in paragraph (e) for "the relevant date" substitute "5 April 2019".

(3) Omit sub-paragraph (4).

13 (1) Paragraph 35A (when the duty to provide loan charge information arises) is amended as follows.

(2) Omit sub-paragraph (3).

(3) In sub-paragraph (4) in the words before paragraph (a) for "third" substitute "second".

(4) In sub-paragraph (5)—

(a) in the words before paragraph (a) for "fourth" substitute "third",

(b) in paragraph (a) for the words from the beginning to "conditions" substitute "neither the first nor the second condition", and

(c) in paragraph (b)—

(i) for "and (2)(b)" substitute "and (2)", and

(ii) omit the words from "(and if paragraph" to "omitted)".

(5) In sub-paragraph (6) in the words before paragraph (a) for "fourth" substitute "third".

(6) In sub-paragraph (7) omit paragraph (b).

14 In paragraph 35B (duty of appropriate third party to provide information to A) in sub-paragraph (1) omit "Q,".

15 (1) Paragraph 35D (meaning of "loan charge information") is amended as follows.

(2) In sub-paragraph (1)—

(a) in paragraph (e) omit ", or the loan mentioned in paragraph 35A(3)(a),",

(b) in paragraph (j) omit ", Q", and

(c) in paragraph (k) omit ", or in a case within paragraph 35A(3)(a),".

(3) In sub-paragraph (2) omit paragraph (a).

16 (1) Paragraph 36 (duty to provide loan charge information to B) is amended as follows.

(2) In sub-paragraph (1)(b) for "6 April 1999" substitute "9 December 2010".

(3) In sub-paragraph (2) for the words from "the period" to the end substitute "15 April 2019".

(4) Omit sub-paragraph (4).

17 Schedule 12 to F(No.2)A 2017 (trading income provided through third parties: loans etc outstanding on 5 April 2019) is amended as follows.

18 For the italic heading before paragraph 2 substitute "Meaning of "loan" and "quasi loan"".

19 In paragraph 2 (meaning of "loan", "quasi-loan" and "approved repayment date") omit sub-paragraph (6).

20 Omit paragraphs 15 to 18 and the italic heading before each of those paragraphs.

21 (1) Paragraph 19 (accelerated payments: application of paragraph 20) is amended as follows.

(2) In sub-paragraph (1)—

(a) in paragraph (e) for "the relevant date" substitute "5 April 2019", and

(b) in paragraph (f) for "the relevant date" substitute "5 April 2019".

(3) Omit sub-paragraph (3).

22 In paragraph 23 (meaning of "loan charge information") in sub-paragraph (2) omit paragraph (a).

PART 2

AMENDMENTS IN CONSEQUENCE OF SECTION 16

ITEPA 2003

23 ITEPA 2003 is amended as follows.

24 (1) Section 554A (application of Chapter 2 of Part 7A: the main case) is amended as follows.

(2) In subsection (2) after "paragraph 1" insert "or 1A".

(3) For subsection (4) substitute—

"(4) Chapter 2 does not apply by reason of—

(a) a relevant step taken on or after A's death if—

(i) the relevant step is within section 554B, or

(ii) the relevant step is within section 554C by virtue of subsection (1)(ab) of that section,

(b) a relevant step within paragraph 1 of Schedule 11 to F(No.2)A 2017 which is treated as being taken on or after A's death, or

(c) a relevant step within paragraph 1A of Schedule 11 to F(No.2)A 2017 in a case where the initial step (within the meaning given by sub-paragraph (1)(a) of that paragraph) is treated as being taken on or after A's death."

25 In section 554Z (interpretation: general) in subsection (10)(d) after "paragraph 1" insert "or 1A".

F(No.2)A 2017

26 Schedule 11 to F(No.2)A 2017 (employment income provided through third parties: loans etc outstanding on 5 April 2019) is amended as follows.

27 In paragraph 2 (meaning of "loan", "quasi-loan" and "approved repayment date")—

(a) in sub-paragraph (2), in the words before paragraph (a), for "paragraph 1" substitute "paragraphs 1 and 1A",

(b) in sub-paragraph (4) for "paragraph 1" substitute "paragraphs 1 and 1A", and

(c) in sub-paragraph (5) for "paragraph 1" substitute "paragraphs 1 and 1A".

28 In paragraph 3(1) (meaning of "outstanding": loans) for "paragraph 1" substitute "paragraphs 1 and 1A".

29 In paragraph 4 (when an amount of a loan is outstanding: certain repayments to be disregarded) in sub-paragraph (6) for "the relevant step treated as taken by paragraph 1" substitute "a relevant step treated as taken by paragraph 1 or 1A".

30 In paragraph 5 (meaning of "outstanding": loans where A or B acquires a right to payment of the loan) in sub-paragraph (2)(b) for "paragraph 1(4)" substitute "paragraphs 1(4) and 1A(5)".

31 In paragraph 7 (meaning of "outstanding": loans in currencies other than stirling) in sub-paragraph (3) after "relevant step" insert "within paragraph 1".

32 In paragraph 10 (meaning of "outstanding": loans made in a depreciating currency) in sub-paragraph (1)(b) after "relevant step" insert "within paragraph 1".

33 In paragraph 11(1) (meaning of "outstanding": quasi-loans) for "paragraph 1" substitute "paragraphs 1 and 1A".

34 In paragraph 12 (certain payments or transfers to be disregarded for the purposes of paragraph 11) in sub-paragraph (5) for "the relevant step treated as taken by paragraph 1" substitute "a relevant step treated as taken by paragraph 1 or 1A".

35 In paragraph 13 (meaning of "outstanding": quasi-loans where A or B acquires a right to the payment or transfer of assets) in sub-paragraph (2)(b) for "paragraph 1(4)" substitute "paragraphs 1(4) and 1A(5)".

36 In paragraph 15 (meaning of "outstanding": quasi-loans in currencies other than sterling) in sub-paragraph (3) after "relevant step" insert "within paragraph 1".

37 In paragraph 18 (meaning of "outstanding": quasi-loans made in a depreciating currency) in sub-paragraph (1)(b) after "relevant step" insert "within paragraph 1".

38 After paragraph 35 insert—

"Exclusion for relevant step within paragraph 1A where initial step excluded

35ZA Chapter 2 of Part 7A of ITEPA 2003 does not apply by reason of a relevant step within paragraph 1A if that Chapter does not apply by reason of the initial step (within the meaning given by sub-paragraph (1)(a) of paragraph 1A)."

Social Security (Contributions) Regulations 2001

39 (1) The Social Security (Contributions) Regulations 2001 (S.I. 2001/1004) are amended as follows.

(2) In regulation 22B (amounts to be treated as earnings: Part 7A of ITEPA 2003) in paragraph (3A)(a) after "paragraph 1" insert "or 1A".

(3) In regulation 22C (amounts to be treated as earnings paid to or for the benefit of the earner: Schedule 11 to F(No.2)A 2017) in paragraph (1)—

(a) after "paragraph 1" insert "or 1A", and

(b) after "paragraph 1(2)" insert "or 1A(3) or (4)".

SCHEDULE 3

Section 23

ENTREPRENEURS' RELIEF

PART 1

REDUCTION IN LIFETIME LIMIT

Reduction in lifetime limit

1 In section 169N of TCGA 1992 (entrepreneurs' relief: amount of relief)—

(a) in subsection (4), for "£10 million" substitute "£1 million";
(b) in subsection (4A), for "£10 million" substitute "£1 million".

Commencement

2 The amendments made by paragraph 1 have effect in relation to disposals made on or after 11 March 2020.

Anti-forestalling: unconditional contracts

3 (1) This paragraph applies where an asset is conveyed or transferred on or after 11 March 2020 under a contract made before that date that is not conditional.

(2) Despite section 28(1) of TCGA 1992 (disposal under unconditional contract made at time of contract and not at time of later conveyance or transfer), the disposal is to be treated for the purposes of paragraph 2 as taking place at the time the asset is conveyed or transferred, and not at the time the contract is made, unless the condition in sub-paragraph (3) or (4) is met.

(3) The condition in this sub-paragraph is that—
(a) the parties to the contract are not connected persons,
(b) no purpose of entering into the contract was obtaining an advantage by reason of the application of section 28(1) of TCGA 1992, and
(c) the person making the conveyance or transfer makes a claim which includes a statement that the condition in paragraph (b) is met.

(4) The condition in this sub-paragraph is that—
(a) the parties to the contract are connected persons,
(b) the contract was entered into wholly for commercial reasons,
(c) no purpose of entering into the contract was obtaining an advantage by reason of the application of section 28(1) of TCGA 1992, and
(d) the person making the conveyance or transfer makes a claim which includes a statement that the conditions in paragraphs (b) and (c) are met.

(5) Section 169M(2) and (3) of TCGA 1992 apply to a claim under sub-paragraph (3)(c) or (4)(d) as if it were a claim under that section.

Anti-forestalling: reorganisations of share capital

4 (1) This paragraph applies where—
(a) on or after 6 April 2019 but before 11 March 2020, there is a reorganisation, and
(b) on 11 March 2020—
(i) the company is the relevant individual's personal company and is either a trading company or the holding company of a trading group, and
(ii) the relevant individual is an officer or employee of the company or (if the company is a member of a trading group) of one or more companies which are members of the trading group.

(2) In sub-paragraph (1) "the relevant individual" means—

(a) where a claim under section 169M of TCGA 1992 is made jointly by the trustees of a settlement and a qualifying beneficiary, the qualifying beneficiary;

(b) where a claim under that section is made by an individual, the individual.

(3) Where an election in respect of the reorganisation is made under section 169Q of TCGA 1992 (reorganisations: disapplication of section 127) on or after 11 March 2020, the disposal of the original shares is to be treated for the purposes of paragraph 2 as taking place at the time of the election and not at the time of the reorganisation.

(4) References in this paragraph to a reorganisation do not include an exchange of shares or securities which is treated as a reorganisation by virtue of section 135 or 136 of TCGA 1992 (but see paragraph 5).

Anti-forestalling: exchanges of securities etc

5 (1) This paragraph applies where—

(a) on or after 6 April 2019 but before 11 March 2020, there is an exchange of shares or securities within section 135(1) of TCGA 1992, and

(b) the condition in sub-paragraph (2) or (3) is met.

(2) The condition in this sub-paragraph is that—

(a) the persons who hold shares or securities in company B immediately after the exchange are substantially the same as those who held shares or securities in company A immediately before the exchange, or

(b) the persons who have control of company B immediately after the exchange are substantially the same as those who had control of company A immediately before the exchange.

(3) The condition in this sub-paragraph is that—

(a) the relevant shareholders, taken together, hold a greater percentage of the ordinary share capital in company B immediately after the exchange than they held in company A immediately before the exchange, and

(b) on 11 March 2020—

(i) company B is the relevant individual's personal company and is either a trading company or the holding company of a trading group, and

(ii) the relevant individual is an officer or employee of company B or (if company B is a member of a trading group) of one or more companies which are members of the trading group.

(4) In sub-paragraph (3)—

"the relevant individual" means—

(a) where a claim under section 169M of TCGA 1992 is made jointly by the trustees of a settlement and a qualifying beneficiary, the qualifying beneficiary;

(b) where a claim under that section is made by an individual, the individual;

"the relevant shareholders" means the persons who—

(a) immediately after the exchange, hold shares or securities in company B, and

(b) immediately before the exchange, also held shares or securities in company A.

(5) For the purposes of sub-paragraph (2)(a), connected persons are to be treated as the same person.

(6) Where an election in respect of the exchange is made under section 169Q of TCGA 1992 (reorganisations: disapplication of section 127) on or after 11 March 2020, the disposal of the original shares is to be treated for the purposes of paragraph 2 as taking place at the time of the election and not at the time of the exchange.

(7) Where, before the exchange, the Commissioners for Her Majesty's Revenue and Customs have issued a notification in respect of it under section 138(1) of TCGA 1992 (advance clearance procedure)—

(a) sections 127 to 131 of that Act apply with the necessary adaptations as if—

(i) company A and company B were the same company, and

(ii) the exchange were a reorganisation;

(b) section 169Q of that Act applies as if the exchange were treated as a reorganisation by virtue of section 135 of that Act.

Interpretation

6 (1) Paragraphs 2 to 5 are to be construed as if they were contained in Chapter 3 of Part 5 of TCGA 1992, subject to sub-paragraph (2).

(2) In those paragraphs—

"company A" and "company B" have the same meanings as in section 135 of TCGA 1992;

"original shares" has the meaning given by section 126 of TCGA 1992;

"reorganisation" has the meaning given by that section;

"trading company" and "trading group" have the meanings given by paragraph 1 of Schedule 7ZA to TCGA 1992.

PART 2

RE-NAMING THE RELIEF

7 (1) In section 169H(1) of TCGA 1992 (relief under Chapter 3 of Part 5: introduction), for "to be known as "entrepreneurs' relief"" substitute "to be known as "business asset disposal relief"".

(2) In consequence of that amendment—

(a) in the rest of TCGA 1992, for "entrepreneurs' relief", wherever occurring, substitute "business asset disposal relief";

(b) in section 169V of TCGA 1992 (operation of deferred entrepreneurs' relief), for "ER purposes", wherever occurring, substitute "relevant purposes".

(3) Nothing in this paragraph affects the operation of Chapter 3 of Part 5 of TCGA 1992.

8 This Part of this Schedule has effect for the tax year 2020-21 and subsequent tax years.

SCHEDULE 4

Section 25

CORPORATE CAPITAL LOSSES

PART 1

CORPORATE CAPITAL LOSS RESTRICTION

Restriction on deduction from chargeable gains: main provisions

1 Part 7ZA of CTA 2010 (restrictions on obtaining certain deductions) is amended as follows.

2 After section 269ZB insert—

"**269ZBA Restriction on deductions from chargeable gains**

(1) This section has effect for determining the taxable total profits of a company for an accounting period.

(2) The sum of any deductions made by the company for the accounting period under section 2A(1)(b) of TCGA 1992 (allowable losses accruing in earlier accounting periods) may not exceed the relevant maximum.

But this is subject to subsection (7).

(3) In this section the "relevant maximum" means the sum of—

(a) 50% of the company's relevant chargeable gains for the accounting period, and

(b) the amount of the company's chargeable gains deductions allowance for the accounting period.

(4) Section 269ZF contains provision for determining a company's relevant chargeable gains for an accounting period.

(5) A company's "chargeable gains deductions allowance" for an accounting period—

(a) is so much of the company's deductions allowance for the period as is specified in the company's tax return as its chargeable gains deductions allowance for the period, and

(b) accordingly, is nil if no amount of the company's deductions allowance for the period is so specified.

(6) An amount specified under subsection (5)(a) as a company's chargeable gains deductions allowance for an accounting period may not exceed the difference between—

(a) the amount of the company's deductions allowance for the period, and

(b) the total of any amounts specified for the period under—

(i) section 269ZB(7)(a) (trading profits deductions allowance),

(ii) section 269ZC(5)(a) (non-trading income profits deductions allowance), and

(iii) in the case of an insurance company, section 269ZFC(5)(a) (BLAGAB deductions allowance).

(7) Subsection (2) does not apply in relation to a company for an accounting period where, in determining the company's qualifying chargeable gains for the period, the amount given by step 1 in section 269ZF(3) is not greater than nil."

3 (1) Section 269ZC (restriction on deductions from non-trading profits) is amended in accordance with this paragraph.

(2) In subsection (2), for "the relevant maximum" substitute "the difference between—

(a) the relevant maximum, and

(b) the amount of any deductions made by the company for the accounting period under section 2A(1)(b) of TCGA 1992 (allowable losses accruing in earlier accounting periods)."

(3) For subsection (3) substitute—

"(3) In this section the "relevant maximum" means the sum of—

(a) 50% of the company's total relevant non-trading profits for the accounting period, and

(b) the amount of the company's total non-trading profits deductions allowance for the accounting period.

(3A) A company's "total non-trading profits deductions allowance" for the accounting period is the sum of—

(a) the company's non-trading income profits deductions allowance (see subsection (5)), and

(b) the company's chargeable gains deductions allowance (see section 269ZBA(5))."

(4) In subsection (4), for "relevant non-trading profits" substitute "total relevant non-trading profits".

(5) In subsection (5) for ""non-trading profits deductions allowance"", in both places it occurs, substitute ""non-trading income profits deductions allowance"".

(6) In subsection (6)—

(a) in the words before paragraph (a), for ""non-trading profits deductions allowance"" substitute ""non-trading income profits deductions allowance"", and

(b) for paragraph (b) substitute—

"(b) the total of any amounts specified for the period under—

(i) section 269ZB(7)(a) (trading profits deductions allowance),

(ii) section 269ZBA(5)(a) (chargeable gains deductions allowance), and

(iii) in the case of an insurance company, section 269ZFC(5)(a) (BLAGAB deductions allowance)."

(7) In subsection (8), for "relevant non-trading profits" substitute "qualifying non-trading income profits and qualifying chargeable gains".

4 In section 269ZD (restriction on deductions from total profits), in subsection (2)(b), after sub-paragraph (i) (before the "and") insert—

"(ia) any deductions made by the company for the accounting period under section 2A(1)(b) of TCGA 1992 (allowable losses accruing in earlier accounting periods),".

5 In section 269ZF (relevant profits), after subsection (2) insert—

"(2A) A company's "relevant chargeable gains" for an accounting period are—

(a) the company's qualifying chargeable gains for the accounting period (see subsection (3)), less

(b) the company's chargeable gains deductions allowance for the accounting period (see section 269ZBA(5)).

But if the allowance mentioned in paragraph (b) exceeds the qualifying chargeable gains mentioned in paragraph (a), the company's "relevant chargeable gains" for the accounting period are nil.

(2B) A company's "total relevant non-trading profits" for an accounting period are—

(a) the sum of—

(i) the company's qualifying non-trading income profits for the period, and

(ii) the company's qualifying chargeable gains for the period, less

(b) the company's total non-trading profits deductions allowance for the period (see section 269ZC(3A))."

6 In section 269ZF, in subsection (3), for steps 3 to 5 substitute—

"Step 3 - trading profits, non-trading income profits and chargeable gains

Divide the company's total profits for the accounting period (as modified under step 1(2)) into—

(a) profits of a trade of the company (the company's "trading profits"),

(b) profits, other than chargeable gains, that are not profits of a trade of the company (the company's "non-trading income profits"), and

(c) chargeable gains included in the total profits (the company's "chargeable gains").

Step 4 - apportionment of the step 2 amount

(1) Allocate the whole of the step 2 amount to one of, or between two or all of, the following—

(a) the company's trading profits,

(b) the company's non-trading income profits, and

(c) the company's chargeable gains.

(2) Reduce, but not below nil, each of the company's trading profits, non-trading income profits and chargeable gains by the amount (if any) allocated to it under paragraph (1).

Step 5 - amount of qualifying trading profits, qualifying non-trading income profits and qualifying chargeable gains

The amounts resulting from step 3, after any reduction under step 4, are—

(a) in the case of the amount in step 3(a), the company's qualifying trading profits,

(b) in the case of the amount in step 3(b), the company's qualifying nontrading income profits, and

(c) in the case of the amount in step 3(c), the company's qualifying chargeable gains."

7 In section 269ZF(4) (calculation of modified total profits)—

(a) omit "and" at the end of paragraph (f), and

(b) after paragraph (g) insert "; and

(h) make no deductions under section 2A(1)(b) of TCGA 1992 (allowable losses accruing in earlier accounting periods)."

Insolvent companies

8 After section 269ZW insert—

"**269ZWA Increase of deductions allowance for insolvent companies**

(1) This section applies in relation to a company if—

(a) the company has gone into insolvent liquidation (see subsection (4)), or

(b) a corresponding situation exists in relation to the company in a country or territory outside the United Kingdom.

(2) The company's deductions allowance for a winding up accounting period (as determined in accordance with section 269ZR or 269ZW) is to be treated (for all purposes) as increased by—

(a) the amount of chargeable gains accruing to the company in the accounting period after deducting any allowable losses accruing to the company in the period, or

(b) if lower, the amount of any allowable losses previously accruing to the company, so far as not previously deducted under section 2A(1) of TCGA 1992.

(3) In determining the amount of chargeable gains accruing to the company in a winding up accounting period for the purposes of subsection (2), ignore—

(a) any chargeable gains (but not any allowable losses) accruing to the company on the disposal of an asset if—

(i) section 171(1) of TCGA 1992 (transfers within a group: no gain no loss) applied in relation to the disposal by which the company acquired the asset (the "no gain/no loss disposal"),

(ii) the asset was acquired by the company, by virtue of the no gain/no loss disposal, in a winding up accounting period, and

(iii) the company making the no gain/no loss disposal has not, at that time, gone into insolvent liquidation, and

(b) any chargeable gains (but not any allowable losses) transferred to the company in accordance with an election made under section 171A of TCGA 1992 (election to reallocate gain or loss to another member of the group) if—

(i) the election is made in a winding up accounting period, and

(ii) the company from which the chargeable gain is transferred has not, at the time the election is made, gone into insolvent liquidation.

(4) For the purposes of this section, a company has gone into insolvent liquidation if—

(a) it has gone into liquidation, within the meaning of section 247(2) of the Insolvency Act 1986 or article 6(2) of the Insolvency (Northern Ireland) Order 1989 (SI 1989/2405 (NI 19), and

(b) at the time it goes into liquidation, its assets are insufficient for the payment of its debts and other liabilities and the expenses of the winding up.

(5) In this section a "winding up accounting period" means—

(a) the accounting period of the company that begins when the winding up starts (within the meaning of section 12(7) of CTA 2009), and

(b) each subsequent accounting period."

9 In section 269ZZ (company tax return to specify amount of deductions allowance), in subsection (1), after paragraph (a) (but before the "and") insert—

"(aa) if section 269ZWA (increase of deductions allowance for insolvent companies) applies, what that amount would be without the increase provided for by subsection (2) of that section,".

Companies without a source of chargeable income

10 After section 269ZY of CTA 2010 insert—

"**269ZYA Deductions allowance for company without a source of chargeable income**

(1) This section applies in relation to a company and a financial year ("the relevant financial year") if—

(a) the company has no source of chargeable income (see subsection (2)) throughout the relevant financial year, and

(b) if the company is a member of a group (see section 269ZZB) at any time during the relevant financial year, each other company that is, at any time during the relevant financial year, a member of the group has no source of chargeable income throughout the relevant financial year.

(2) For the purposes of this section and section 269ZYB, a company "has no source of chargeable income" if the company is either—

(a) not within the charge to corporation tax, or

(b) chargeable to corporation tax only because of a chargeable gain accruing to the company on the disposal of an asset.

(3) A company may make a claim under this section in respect of an accounting period if—

(a) the accounting period falls wholly within the relevant financial year, and

(b) the company is chargeable to corporation tax for the accounting period only because of a chargeable gain accruing to the company on the disposal of an asset.

(4) If a claim is made by a company under this section in respect of an accounting period (a "claim AP"), the company's deductions allowance for the claim AP is the lower of—

(a) the available deductions allowance amount (see subsection (9)),

(b) the total amount of allowable losses accruing to the company in any previous accounting period, so far as not previously deducted under section 2A(1)(a) or (b) of TCGA 1992, and

(c) the chargeable gains accruing to the company in the claim AP.

(5) A claim under this section in respect of an accounting period—

(a) must be made within the period of two years after the end of the accounting period, but

(b) may not be made before the end of the relevant financial year.

(6) Sections 269ZR to 269ZY (deductions allowances) do not apply to a claim AP.

(7) Subsection (8) applies if—

(a) there is at least one claim AP falling wholly within the relevant financial year, and

(b) there is at least one accounting period falling wholly within the relevant financial year in respect of which no claim is made under this section (an "alternative AP").

(8) The company's deductions allowance for an alternative AP is the lower of—

(a) the deductions allowance that would be available, ignoring the effect of this section (see sections 269ZR to 269ZY), and

(b) the available deductions allowance amount (see subsection (9)).

(9) For the purposes of this section, the "available deductions allowance amount" is—

(a) £5,000,000, less

(b) the total of the deductions allowance amounts (if any) already claimed by—

(i) the company, and

(ii) if the company is a member of a group at any time during the relevant financial year, each other company that is, at any time during the relevant financial year, a member of the group,

in respect of each claim AP and alternative AP that falls wholly within the relevant financial year.

(10) In this section, references to the deductions allowance amounts claimed by a company in respect of an accounting period—

(a) for a claim AP, are references to any deductions allowance claimed by the company under this section in respect of the period, and

(b) for an alternative AP, are references to any other amount specified in the company's tax return as its chargeable gains deductions allowance for the period.

(11) For the purposes of subsection (9)(b), in the cases listed in the first column of the table below, the rules in the second column apply to determine the order in which deductions allowance amounts are to be treated as claimed in respect of the accounting periods—

Case	*Rule*
1. There is a claim AP and another claim AP starting on the same day or a different day.	The order in which the claims under this section are made.
2. There is an alternative AP ("AP1") and another alternative AP ("AP2") starting on a later day.	AP1 before AP2.
3. There is an alternative AP and another alternative AP starting on the same day.	The order in which the tax returns for the alternative APs are delivered.
4. There is a claim AP and an alternative AP starting on the same day, an earlier day or a later day.	The claim AP before the alternative AP.

269ZYB Provisional application of section 269ZYA

(1) This section applies in relation to a company and an accounting period if—

(a) the conditions in section 269ZYA(3)(a) and (b) are met in relation to the accounting period, and

(b) the company's tax return for the accounting period is delivered before the end of the financial year in which the accounting period falls ("the relevant financial year").

(2) The company may make a declaration in the return for the accounting period that—

(a) at all earlier times in the relevant financial year—

(i) the company had no source of chargeable income (see section 269ZYA(2)), and

(ii) if the company is a member of a group, each other member of the group had no source of chargeable income, and

(b) the person intends to make a claim under section 269ZYA(3) in respect of the accounting period.

(3) Until the declaration ceases to have effect, section 269ZYA has effect as if the company had made a claim under that section.

(4) The declaration ceases to have effect if—

(a) it is withdrawn,

(b) it is superseded by a claim made under section 269ZYA, or

(c) the company or, if the company is a member of a group, another member of the group, acquires a source of chargeable income before the end of the relevant financial year.

(5) So far as not previously ceasing to have effect under subsection (4), the declaration ceases to have effect two years after the end of the accounting period in respect of which it is made.

(6) If the declaration ceases to have effect, all necessary adjustments must be made, by assessment, amendment of returns or otherwise.

(7) Subsection (6) applies despite any limitation on the time within which assessments or amendments may be made."

Offshore collective investment vehicles

11 In section 269ZZB of CTA 2010 (meaning of "group"), at the end insert—

"(9) For the purposes of the application of this Part in relation to a collective investment vehicle to which paragraph 4 of Schedule 5AAA to TCGA 1992 applies, the reference in paragraph 4(2) of that Schedule to "relevant purposes" is to be treated as including a reference to the purposes of this section."

Insurance companies: ring fence

12 (1) Section 210A of TCGA 1992 (insurance: ring-fencing of losses) is amended as follows.

(2) In subsection (2), after "to the company", in the first place it occurs, insert "as permitted by subsection (2A)".

(3) After subsection (2) insert—

"(2A) The following deductions may be made from the shareholders' share of the BLAGAB chargeable gains accruing to the company in an accounting period—

(a) any available non-BLAGAB allowable losses accruing to the company in the period may be deducted under section 2A(1)(a), and

(b) after making any deductions within paragraph (a), any available non-BLAGAB allowable losses previously accruing to the company, which have not been allowed as a deduction from chargeable gains accruing in the period or in any previous accounting period, may (subject to section 269ZFC of CTA 2010) be deducted under section 2A(1)(b).

(2B) But those deductions may not reduce the shareholders' share of BLAGAB chargeable gains below nil.

(2C) The amount of "available non-BLAGAB allowable losses" accruing to a company in an accounting period is the amount by which the non-BLAGAB allowable losses accruing to the company in the accounting period exceed the non-BLAGAB chargeable gains so accruing."

(4) In subsection (6)(a)—

(a) omit "amount by which", and

(b) omit "exceeds the shareholders' share of BLAGAB chargeable gains so accruing".

(5) In subsection (8), in the words before paragraph (a)—

(a) for "If the" substitute "If there are", and

(b) omit "exceed the BLAGAB allowable losses so accruing".

(6) In subsection (8)(b), after "deduction" insert ", under step 2 of section 75(1) of FA 2012,".

(7) For subsection (9) substitute—

"(9) If there are BLAGAB allowable losses accruing to the company in the subsequent accounting period, the amount arrived at under subsection (7)(a) is increased by the shareholders' share of the amount of those allowable losses."

(8) In subsection (13)—

(a) in the definition of "BLAGAB allowable losses", at the end insert "but excluding any allowable losses deducted under step 2 of section 75(1) of FA 2012 in determining the BLAGAB chargeable gains of the company for an accounting period,";

(b) in the definition of "BLAGAB chargeable gains", after "means chargeable gains" insert "(as adjusted for allowable losses in accordance with section 75 of FA 2012)".

13 After section 269ZFB of CTA 2010 insert—

"**269ZFC Restriction on deductions of non-BLAGAB allowable losses from BLAGAB chargeable gains**

(1) This section has effect for determining the taxable total profits of an insurance company for an accounting period.

(2) The sum of any deductions of non-BLAGAB allowable losses from the shareholders' share of BLAGAB chargeable gains made by an insurance company for an accounting period under section 2A(1)(b) of TCGA 1992, as permitted by section 210A(2A)(b) of that Act, may not exceed the relevant maximum.

(3) In this section, the "relevant maximum" means the sum of—

(a) 50% of the company's relevant BLAGAB chargeable gains for the accounting period, and

(b) the amount of the company's BLAGAB deductions allowance for the accounting period.

(4) A company's "relevant BLAGAB chargeable gains" for an accounting period are—

(a) the shareholders' share of the BLAGAB chargeable gains for the accounting period, after any reduction under section 210A(2A)(a) of TCGA 1992, less

(b) the amount of the company's BLAGAB deductions allowance for the accounting period.

But if the allowance mentioned in paragraph (b) exceeds the shareholders' share of the BLAGAB chargeable gains mentioned in paragraph (a), the

company's "relevant BLAGAB chargeable gains" for the accounting period are nil.

(5) A company's "BLAGAB deductions allowance" for an accounting period—

(a) is so much of the company's deductions allowance for the period as is specified in the company's tax return as its BLAGAB deductions allowance for the period, and

(b) accordingly, is nil if no amount of the company's deductions allowance for the period is so specified.

(6) An amount specified under subsection (5)(a) as the company's BLAGAB deductions allowance for an accounting period may not exceed the difference between—

(a) the amount of the company's deductions allowance for the period, and

(b) the total of any amounts specified for the period under section 269ZB(7)(a) (trading profits deductions allowance), section 269ZBA(5)(a) (chargeable gains deductions allowance) and section 269ZC(5)(a) (non-trading income profits deductions allowance).

(7) In this section, "BLAGAB chargeable gains", "insurance company" and "the shareholders' share of BLAGAB chargeable gains" have the same meaning as in section 210A of TCGA 1992."

14 (1) Part 7ZA of CTA 2010 is amended in accordance with this paragraph.

(2) In section 269ZD(2)(b)—

(a) omit the "and" after sub-paragraph (ia) (inserted by paragraph 4 of this Schedule), and

(b) after sub-paragraph (ii) insert "and

(iia) any deductions of non-BLAGAB allowable losses from the shareholders' share of BLAGAB chargeable gains made for the accounting period under section 2A(1)(b) of TCGA 1992, as permitted by section 210A(2A)(b) of that Act."

(3) In section 269ZFB(2), at the end of paragraph (b) insert "and provided that no deductions of non-BLAGAB allowable losses from the shareholders' share of BLAGAB chargeable gains are to be made under section 2A(1)(b) of TCGA 1992, as permitted by section 210A(2A)(b) of that Act."

15 In section 95 of FA 2012 (use of non-BLAGAB allowable losses to reduce I-E profit) for "in accordance with section 210A(2) of TCGA 1992" substitute "under section 2A(1) of TCGA 1992, as permitted by section 210A(2) and (2A) of that Act,".

Oil activities: ring fence

16 In section 197 of TCGA 1992 (disposals of interests in oil fields etc: ring fence provisions), after subsection (4) insert—

"(4A) A deduction in respect of an aggregate loss accruing in a chargeable period that is (in accordance with subsection (4)(b) and (c)) allowable as a deduction against an aggregate gain treated as accruing in a later period is to be ignored

for the purposes of section 269ZBA of CTA 2010 (corporate capital loss restriction: restriction on deductions from chargeable gains)."

Clogged losses

17 In section 18 of TCGA 1992 (transactions between connected persons) at the end insert—

"(9) If deductible clogged losses have accrued to a company, the company may make a claim in respect of an accounting period for—

(a) an amount of the deductible clogged losses to be treated, for the purposes of section 2A(1)(a), as allowable losses accruing in the accounting period, and

(b) the same amount of allowable losses accruing to the company in the period to be treated, for the purposes of section 2A(1)(b), as allowable losses previously accruing to the company while it was within the charge to corporation tax.

(10) The amount in respect of which the claim is made may not exceed the total amount of any allowable losses accruing to the company in the accounting period for which the claim is made.

(11) In subsection (9), "deductible clogged losses" means losses which would, apart from Part 7ZA of CTA 2010, be deductible under subsection (3) from chargeable gains accruing to the company in an accounting period.

(12) A claim under subsection (9) must be made by being included in the company's tax return for the accounting period for which the claim is made."

Pre-entry losses

18 (1) Schedule 7A to TCGA 1992 (restriction on set-off of pre-entry losses) is amended in accordance with this paragraph.

(2) In paragraph 6(1)(b), after "from that gain" insert "(subject to sub-paragraphs (1A) to (1C))".

(3) In paragraph 6(1)(c), after "section 2A(1)" insert "(subject to sub-paragraphs (1A) to (1C))".

(4) After sub-paragraph (1) insert—

"(1A) Sub-paragraph (1B) applies, in respect of an accounting period, if the amount of chargeable gains accruing to the company in the period exceeds the total of—

(a) the amount of pre-entry losses accruing to the company in the period that are deductible under sub-paragraph (1)(a), and

(b) the amount of allowable losses, other than pre-entry losses, accruing to the company in the period.

(1B) Where this sub-paragraph applies in respect of an accounting period—

(a) the sum of any deductions under sub-paragraph (1)(b) may not exceed the total of—

(i) the amount of pre-entry losses that, on the assumption in sub-paragraph (1C), would be deductible under sub-paragraph (1)(b), and

(ii) the amount of allowable losses (other than pre-entry losses) that, on the assumption in sub-paragraph (1C), would be deductible under section 2A(1), and

(b) for the purposes of sub-paragraph (1)(c), the deductions made under section 2A(1) may not exceed the difference between—

(i) the total of the amounts mentioned in paragraph (a)(i) and (ii), and

(ii) the amount of pre-entry losses deducted under sub-paragraph (1)(b).

(1C) The assumption is that deductions under sub-paragraph (1)(b) are treated for the purposes of Part 7ZA of CTA 2010 (restrictions on obtaining certain deductions) as if they were made under section 2A(1)(b) of this Act."

Real estate investment trusts

19 Part 12 of CTA 2010 (real estate investment trusts) is amended as follows.

20 In section 535B (use of pre-April 2019 residual business losses or deficits) at the end insert—

"(4) In determining, for the purposes of subsection (2)(a), the amount of allowable losses accruing on disposals made before 6 April 2019 which would otherwise have been deducted from gains accruing to residual business of the company, section 269ZBA (restriction on deductions) is to be ignored."

21 In section 550 (attribution of distributions) at the end insert—

"(4) In determining the amount of relevant non-chargeable gains for the purposes of this section, section 269ZBA (restriction on deductions) is to be ignored."

22 In section 556 (disposal of assets) in subsection (7), for "and 535A" substitute ", 535A and 535B".

Counteraction of avoidance arrangements

23 (1) Section 19 of F(No.2)A 2017 (losses: counteraction of avoidance arrangements) is amended in accordance with this paragraph.

(2) In subsection (8), before paragraph (a) insert—

"(za) section 2A(1) of TCGA 1992 (allowable capital losses);".

(3) At the end insert—

"(13) In the case of a tax advantage as a result of a deduction (or increased deduction) under section 2A(1) of TCGA 1992, subsections (10) and (11) have effect as if the references to 1 April 2017 were to 1 April 2020."

Minor and consequential amendments to Part 7ZA of CTA 2010

24 Part 7ZA of CTA 2010 is amended as follows.

25 (1) Section 269ZB (restriction on deductions from trading profits) is amended in accordance with this paragraph.

(2) In subsection (8), for paragraph (b) substitute—

"(b) the total of—

(i) the amount of the company's total non-trading profits deductions allowance for the period (see section 269ZC(3A)), and

(ii) in the case of an insurance company, any amount specified for the period under section 269ZFC(5)(a) (BLAGAB deductions allowance)."

(3) Omit subsection (9) (meaning of a company's "deductions allowance").

26 In section 269ZC (restriction on deductions from non-trading profits) omit subsection (7) (meaning of a company's "deductions allowance").

27 In section 269ZD (restriction on deductions from total profits) omit subsection (6) (meaning of a company's "deductions allowance").

28 After section 269ZD insert—

"**269ZDA References to a company's "deductions allowance"**

(1) This section applies for the purposes of sections 269ZB to 269ZD and 269ZFC.

(2) A company's "deductions allowance" for an accounting period is to be determined in accordance with section 269ZR where, at any time in that period—

(a) the company is a member of a group (see section 269ZZB), and

(b) one or more other companies within the charge to corporation tax are members of that group.

(3) Otherwise, a company's "deductions allowance" for an accounting period is to be determined in accordance with section 269ZW.

(4) But subsections (2) and (3) are subject to section 269ZYA (deductions allowance for company without a source of chargeable income)."

29 (1) Section 269ZF ("relevant trading profits" and "relevant non-trading profits") is amended in accordance with this paragraph.

(2) In subsection (2)—

(a) for ""relevant non-trading profits"", in both places it occurs, substitute ""relevant non-trading income profits"",

(b) in paragraph (a), for "qualifying non-trading profits" substitute "qualifying non-trading income profits", and

(c) in paragraph (b) for "non-trading profits deductions allowance" substitute "non-trading income profits deductions allowance".

(3) In subsection (3), in the words before step 1, for "and qualifying non-trading profits" substitute ", qualifying non-trading income profits and qualifying chargeable gains".

(4) In subsection (3), in paragraph (3) of step 1—

(a) for "and relevant non-trading profits" substitute ", qualifying non-trading income profits and qualifying chargeable gains", and

(b) for "both" substitute "each".

(5) In subsection (3), in paragraph (3) of step 2—

(a) for "and the qualifying non-trading profits" substitute ", qualifying non-trading income profits and qualifying chargeable gains", and

(b) for "both" substitute "each".

(6) In the heading, for "and "relevant non-trading profits"" substitute ", "total relevant non-trading profits" etc".

30 (1) Section 269ZFA ("relevant profits") is amended as follows.

(2) In subsection (1)(b), for "section 269ZD(6)" substitute "section 269ZDA".

(3) In subsection (2)—

(a) in paragraph (a), for "qualifying trading profits and qualifying non-trading profits" substitute "modified total profits", and

(b) in paragraph (b), for "in determining" substitute "which could be relieved against".

31 In section 269ZG (general insurance companies: excluded accounting periods), in subsection (1), for "269ZE" substitute "269ZD".

32 In section 269ZR (deductions allowance for company in a group), at the end insert—

"(5) See section 269ZYA for further provision about the deductions allowance for a company without a source of chargeable income which is a member of a group."

33 In section 269ZW (deductions allowance for company not in a group), at the end insert—

"(4) See section 269ZYA for further provision about the deductions allowance for a company without a source of chargeable income."

34 In section 269ZZ (company tax return to specify amount of deductions allowance), in subsection (2)—

(a) after "section 269ZB(2)," insert "269ZBA(2),", and

(b) for "or 269ZD(2) or section 124D(1) of FA 2012" substitute ", 269ZD(2) or 269ZFC(2)".

35 (1) Section 269ZZA(1) (excessive specification of deductions allowance: application of section) is amended in accordance with this paragraph.

(2) After paragraph (b) insert—

"(ba) the company's chargeable gains deductions allowance for the period,".

(3) In paragraph (c) for "non-trading profits deductions allowance" substitute "non-trading income profits deductions allowance".

(4) After paragraph (d) insert—

"(da) the company's BLAGAB deductions allowance for the period."

(5) Omit paragraph (e).

Minor and consequential amendments to Part 7A of CTA 2010

36 Part 7A of CTA 2010 (banking companies: restrictions on obtaining certain deductions) is amended as follows.

37 (1) Section 269CB (restriction on deductions for non-trading deficits from loan relationships) is amended as follows.

(2) In subsection (2)—

(a) for "relevant non-trading profits", in both places it occurs, substitute "total relevant non-trading profits", and

(b) for "subsection (2)" substitute "subsection (2B)".

(3) In subsection (3), for "relevant non-trading profits", in both places it occurs, substitute "total relevant non-trading profits".

38 In section 269CN (definitions)—

(a) omit the definition of "relevant non-trading profits", and

(b) at the end insert—

""total relevant non-trading profits", in relation to a company, has the meaning given by section 269ZF(2B)."

PART 2

CORPORATE CAPITAL LOSS DEDUCTIONS: MISCELLANEOUS PROVISION

Companies without a source of chargeable income: carry back of losses

39 In section 2A of TCGA 1992 (company's total profits to include chargeable gains), after subsection (2) insert—

"(3) Subsection (4) applies if—

(a) a company has two or more accounting periods that fall wholly within the same financial year,

(b) the company is chargeable to corporation tax for each of those accounting periods only because of a chargeable gain accruing to the company on the disposal of asset, and

(c) in the period (if any) between each of those accounting periods, the company is not within the charge to corporation tax.

(4) For the purposes of determining the amount of chargeable gains to be included in the company's total profits for each of the accounting periods by reference to which this subsection applies, subsection (1) has effect as if after paragraph (a) (before the "and") there were inserted—

"(aa) so far as not otherwise deducted under this section, any allowable losses accruing to the company in another accounting period that falls wholly within the same financial year as the period mentioned in paragraph (a),"."

Insurance companies: minor amendments to TCGA 1992 and FA 2012

40 In section 210A of TCGA 1992, in subsection (10C), for the words from "In determining" to "an accounting period" substitute "For the purposes of subsections (10A) and (10B)".

41 In section 93 of FA 2012 (minimum profits test), at the end insert—

"(6) For the purposes of this section, assume that non-BLAGAB allowable losses cannot be deducted to any extent from BLAGAB chargeable gains (and, accordingly, assume that section 95 is not included in this Act)."

PART 3

COMMENCEMENT AND ANTI-FORESTALLING PROVISION

Commencement

42 The amendments made by this Schedule have effect in relation to accounting periods beginning on or after 1 April 2020.

43 (1) Paragraph 44 applies where a company has an accounting period beginning before 1 April 2020 and ending on or after that date (the "straddling period").

(2) For the purposes of paragraph 44—

(a) the "pre-commencement period" means the part of the straddling period falling before 1 April 2020, and

(b) the "post-commencement period" means the part of the straddling period falling on or after that date.

44 (1) The amount of chargeable gains to be included in the company's total profits for the straddling period is the total of—

(a) the chargeable gains accruing to the company in the pre-commencement period, after making any deductions under section 2A(1) of TCGA 1992, and

(b) the chargeable gains accruing to the company in the post-commencement period, after making any deductions under that section.

(2) For the purposes of sub-paragraph (1)(a) and (b), section 2A of TCGA 1992 applies as if the pre-commencement period and the post-commencement period were separate accounting periods, subject to the modification in sub-paragraph (3).

(3) For the purposes of determining the amount to be included in the company's total profits in respect of chargeable gains for a period, the reference in section 2A(1)(a) of TCGA 1992 to any allowable losses accruing to the company in the period is to be treated as including—

(a) for the purposes of the pre-commencement period, a reference to any allowable losses accruing to the company in the post-commencement period so far as they exceed the chargeable gains accruing to the company in the post-commencement period, and

(b) for the purposes of the post-commencement period, a reference to any available allowable losses accruing to the company in the pre-commencement period so far as they exceed the chargeable gains accruing to the company in the pre-commencement period.

(4) For the purposes of applying Part 7ZA of CTA 2010 in relation to the straddling period—

(a) section 269ZBA of that Act applies in relation to the post-commencement period as if it were a separate accounting period,

(b) the reference in section 269ZF(4)(h) to deductions under section 2A(1)(b) of TCGA 1992 is to be treated as if it were a reference only to deductions under that provision from the chargeable gains of the post-commencement period, and

(c) the reference in step 3(c) of section 269ZF to the chargeable gains included in the company's total profits is to be treated as if it were a reference to the total of—

(i) the chargeable gains accruing to the company in the pre-commencement period, after making any deductions under section 2A(1)(a) or (b) of TCGA 1992, and

(ii) the chargeable gains accruing to the company in the post-commencement period, after making any deductions under section 2A(1)(a) of that Act.

45 (1) This paragraph applies in relation to a non-UK resident company which carries on a UK property business or has other UK property income—

(a) if the conditions in sub-paragraph (2) are met, and

(b) unless the company has elected that this paragraph is not to apply.

(2) The conditions are met if the company—

(a) is within the charge to income tax for the tax year 2019-20,

(b) is chargeable to corporation tax for an accounting period falling wholly within the period beginning with 1 April 2020 and ending with 5 April 2020 because of a chargeable gain accruing to the company on the disposal of an asset, and

(c) is within the charge to corporation tax on income for an accounting period beginning on 6 April 2020.

(3) For the purposes of determining the amount to be included in the company's total profits in respect of chargeable gains for an accounting period mentioned in sub-paragraph (2)(b) or (2)(c), the reference in section 2A(1)(a) of TCGA 1992 to any allowable losses accruing to the company in the period is to be treated as including—

(a) for the purposes of an accounting period mentioned in sub-paragraph (2)(b), a reference to any allowable losses accruing to the company in the accounting period mentioned in sub-paragraph (2)(c) (so far as those losses are not otherwise deducted under section 2A(1) of TCGA 1992), and

(b) for the purposes of the accounting period mentioned in sub-paragraph (2)(c), a reference to any allowable losses accruing to the company in an accounting period mentioned in sub-paragraph (2)(b) (so far as those losses are not otherwise deducted under section 2A(1) of TCGA 1992).

(4) For the purposes of the application of Part 7ZA of CTA 2010 in relation to the accounting periods mentioned in sub-paragraphs (2)(b) and (2)(c)—

(a) section 269ZYA of CTA 2010 (deductions allowance for company without a source of chargeable income) applies as if the company had made a claim under that section in respect of each accounting period mentioned in sub-paragraph (2)(b), and

(b) the company's deductions allowance for the accounting period mentioned in sub-paragraph (2)(c) is treated as being reduced by the amount of the company's deductions allowance for each accounting period mentioned in sub-paragraph (2)(b).

Anti-forestalling provision

46 (1) This sub-paragraph applies if—

(a) a company has an accounting period ending before 1 April 2020,

(b) the company would, apart from this paragraph, obtain a tax advantage as a result of a deduction, or an increased deduction, under section 2A(1)(b) of TCGA 1992,

(c) the tax advantage arises as a result of arrangements entered into on or after 29 October 2018, and

(d) the main purpose, or one of the main purposes, of the arrangements is to secure a tax advantage as a result of the fact that section 269ZBA of CTA 2010, inserted by this Schedule, is not to have effect for the accounting period for which the deduction would be made.

(2) If sub-paragraph (1) applies, the deductions made by the company for the accounting period under section 2A(1)(b) of TCGA 1992 may not exceed 50% of the company's qualifying chargeable gains for the period.

(3) So far as necessary for the purposes of this paragraph, Part 7ZA of CTA 2010 is treated as having come into force on the same day as this paragraph.

(4) This paragraph is treated as having come into force on 29 October 2018.

(5) Where a company has a straddling period, the pre-commencement period and the post-commencement period are treated for the purposes of this paragraph as separate accounting periods.

(6) In this paragraph—

(a) "arrangements" includes any agreement, understanding, scheme transaction or series of transactions (whether or not legally enforceable),

(b) "straddling period", "pre-commencement period" and "post-commencement period" have the same meaning as they have for the purposes of paragraph 44, and

(c) "tax advantage" has the meaning given by section 1139 of CTA 2010.

SCHEDULE 5

Section 30

STRUCTURES AND BUILDINGS ALLOWANCES

Introduction

1 CAA 2001 is amended as follows.

Research and development allowances

2 In Part 2A (structures and buildings allowances), for section 270EC substitute—

"**270EC Research and development**

(1) This section applies if, at any time, a person sells the relevant interest in a building or structure to another.

(2) The total amount of the allowances under this Part by reference to the building or structure that is available to the person buying the relevant interest is reduced (but not below nil) by the amount of any Part 6 allowance to which the person is entitled by reference to the building or structure.

(3) There is another restriction on the total amount of those allowances which applies if—

(a) the sale in question, or a sale of the relevant interest at an earlier time, is by a person entitled to a Part 6 allowance by reference to the building or structure, and

(b) the amount paid for the relevant interest on any of those sales is less than the ordinary Part 2A amount (see subsection (6)).

(4) The other restriction is that the total amount of the allowances under this Part by reference to the building or structure that is available to the person buying the relevant interest may not exceed the permitted maximum.

(5) For this purpose "the permitted maximum" is—

(a) the lowest sum paid for the relevant interest on the sale in question or any earlier sale within subsection (3)(a), less

(b) the total amount of the allowances under this Part arising by reference to the building or structure since the earliest sale identified for the purposes of paragraph (a) of this subsection.

(6) In this section "the ordinary Part 2A amount" means—

(a) the amount of the qualifying expenditure, by reference to which an allowance can be made under this Part, incurred in relation to the building or structure before the time of the sale in question, less

(b) the total amount of the allowances under this Part arising before that time by reference to the building or structure.

(7) In this section any reference to allowances under this Part is to allowances to which an entitlement has arisen under this Part or would have arisen under this Part if the building or structure had been in continuous qualifying use since it was first brought into non-residential use.

(8) In this section "Part 6 allowance", in relation to a person and a building or structure, means an allowance under Part 6 in respect of expenditure incurred by the person on its construction or acquisition."

Contribution allowances

3 (1) Section 538A (contributions: buildings and structures) is amended as follows.

(2) For subsection (3)(b) substitute—

"(b) the building or structure were brought into qualifying use, for the purposes of the allowance in relation to the contribution, on—

(i) the day on which R first brought the building or structure into qualifying use, or

(ii) if R is a public body, the earlier of the day mentioned in sub-paragraph (i) and the day on which R first brought the building or structure into non-residential use."

(3) For subsection (4) substitute—

"(4) If, at any time in the period beginning with the day on which C made the contribution and ending with the day on which R first brought the building or structure into non-residential use, C did not have a relevant interest in the building or structure—

(a) C is to be treated for the purposes of allowances under Part 2A as having had a relevant interest in the building or structure when that period begins, and

(b) C is not to be treated for those purposes as ceasing to have that interest on any subsequent sale of R's relevant interest in the building or structure."

(4) After subsection (6) insert—

"(7) In determining, for the purposes of this section, the day on which R first brings a building or structure into non-residential use, ignore any use of the building or structure which is insignificant."

Minor amendments

4 In section 270AA(2) (entitlement to structures and buildings allowances), at the beginning of paragraph (b)(i) insert "on or".

5 In section 270BB (capital expenditure incurred on construction), in subsection (2)(a), for "qualifying use" substitute "non-residential use".

6 In section 270BL (apportionment of sums partly referable to non-qualifying assets), for "qualifying expenditure" substitute "expenditure for which an allowance can be made under this Part".

7 In section 270IA (evidence of qualifying expenditure etc), in subsection (4)(a), omit "written".

Commencement

8 The amendment made by paragraph 2 has effect in the case of any sale within subsection (1) of the substituted section 270EC(1) of CAA 2001 that takes place on or after 11 March 2020.

9 The amendments made by paragraph 3 have effect in relation to contributions made on or after 11 March 2020.

10 Part 2A of CAA 2001 has effect, and is to be deemed always to have had effect, with the amendments made by paragraphs 4 to 7.

SCHEDULE 6

Section 32

NON-UK RESIDENT COMPANIES CARRYING ON UK PROPERTY BUSINESSES ETC

Calculation of non-trading profits and deficits from loan relationships or derivative contracts

1 In section 301 of CTA 2009 (calculation of non-trading profits and deficits from loan relationships), for the subsection (1A) inserted into that section by paragraph 15(3) of Schedule 5 to FA 2019 substitute—

"(1A) In the case of a non-UK resident company, subsections (4) to (7) need to be read with section 5(3), (3A)(b) and (3B)(b) (territorial scope of charge to corporation tax)."

2 In section 574 of CTA 2009 (derivative contracts: non-trading credits and debits to be brought into account), for the subsection (2A) inserted into that section by paragraph 18 of Schedule 5 to FA 2019 substitute—

"(2A) In the case of a non-UK resident company, subsection (2) needs to be read with section 5(3), (3A)(b) and (3B)(b) (territorial scope of charge to corporation tax)."

Debits referable to times before UK property business etc is carried on

3 After section 330 of CTA 2009 insert—

"Pre-commencement debits of property businesses etc of non-UK resident companies

330ZA Debits referable to times before UK property business etc carried on

(1) This section applies if—

(a) a non-UK resident company has debits in respect of a loan relationship to which it is a party for the purposes of its UK property business,

(b) the debits are referable to times ("the pre-rental times") before (but not more than 7 years before) the date on which it starts to carry on the business, and

(c) the debits are not otherwise brought into account for tax purposes.

(2) If, on the assumption that the company had been carrying on the business at the pre-rental times, the debits—

(a) would have been recognised in determining its profit or loss for a period consisting of or including those times, and

(b) would have been brought into account for the purposes of this Part,

the debits are (so far as they exceed relevant credits) treated for the purposes of this Part as if they were debits for the accounting period in which it started to carry on the business.

(3) For this purpose "relevant credits" means credits of the company in respect of the loan relationship which, on the assumption that the company had been carrying on the business at the pre-rental times—

(a) would have been recognised in determining its profit or loss for a period consisting of or including those times,
(b) would have been brought into account for the purposes of this Part, and
(c) would not otherwise have been brought into account for tax purposes.

(4) This section is subject to section 327 (disallowance of imported losses etc).

(5) This section also applies in relation to a non-UK resident company which is a party to a loan relationship for the purpose of enabling it to generate other UK property income (within the meaning given by section 5(6)).”

4 After section 607 of CTA 2009 insert—

“**607ZA Debits referable to times before UK property business etc carried on**

(1) This section applies if—
(a) a non-UK resident company has debits in respect of a derivative contract to which it is a party for the purposes of its UK property business,
(b) the debits are referable to times (“the pre-rental times”) before (but not more than 7 years before) the date on which it starts to carry on the business, and
(c) the debits are not otherwise brought into account for tax purposes.

(2) If, on the assumption that the company had been carrying on the business at the pre-rental times, the debits—
(a) would have been recognised in determining its profit or loss for a period consisting of or including those times, and
(b) would have been brought into account for the purposes of this Part,

the debits are (so far as they exceed relevant credits) treated for the purposes of this Part as if they were debits for the accounting period in which it started to carry on the business.

(3) For this purpose “relevant credits” means credits of the company in respect of the derivative contract which, on the assumption that the company had been carrying on the business at the pre-rental times—
(a) would have been recognised in determining its profit or loss for a period consisting of or including those times,
(b) would have been brought into account for the purposes of this Part, and
(c) would not otherwise have been brought into account for tax purposes.

(4) This section also applies in relation to a non-UK resident company which is a party to a derivative contract for the purpose of enabling it to generate other UK property income (within the meaning given by section 5(6)).”

5 In paragraph 40 of Schedule 5 to FA 2019 (transitional provision: imported losses in respect of derivative contracts), at the end insert—

“(7) Section 607ZA of CTA 2009 (debits referable to times before UK property business carried on) has effect subject to this paragraph.”

Duty to notify chargeability to corporation tax: exceptions

6 In paragraph 2 of Schedule 18 to FA 1998 (duty of company to notify HMRC that it is chargeable for an accounting period if it has not received a notice requiring a company tax return), in sub-paragraph (1A) (which provides an exception to that duty), as inserted into that paragraph by paragraph 6(2) of Schedule 5 to FA 2019—

(a) omit the "and" before paragraph (b), and

(b) after that paragraph insert ", and

(c) having deducted the income tax mentioned in paragraph (a) at the fourth step in paragraph 8 (calculation of tax payable), the amount of tax payable for the period is nil."

7 In section 55A(1) of FA 2004 (exception to duty of company to give notice of coming within the charge to corporation tax), as inserted by paragraph 7 of Schedule 5 to FA 2019—

(a) omit the "and" before paragraph (b), and

(b) after that paragraph insert ", and

(c) in consequence of the deduction of the income tax mentioned in paragraph (a) at the fourth step in paragraph 8 of Schedule 18 to the Finance Act 1998 (calculation of tax payable), the amount of tax payable for the period will be nil."

Period for making election under regulation 6A of the Disregard Regulations

8 In regulation 6A of the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004—

(a) in paragraph (5)(b), after "fair value" insert "(but see paragraph (6))", and

(b) at the end insert—

"(6) For the purposes of the definition of "the first relevant period" an accounting period of a company is to be ignored if—

(a) the accounting period begins solely as a result of a disposal of an asset by the company, and

(b) any gain accruing to the company on the disposal would be chargeable to corporation tax as a result of section 2B(4) of the Taxation of Chargeable Gains Act 1992."

9 In paragraph 44 of Schedule 5 to FA 2019, at the end insert—

"(4) In determining for the purposes of this paragraph whether, on the commencement date, a company comes within the charge to corporation tax by reason of this Schedule, no account is to be taken of any disposal made by the company before that date where any gain accruing to the company on the disposal would be chargeable to corporation tax as a result of section 2B(4) of TCGA 1992."

Commencement

10 Schedule 5 to FA 2019 has effect as if the amendments made by paragraphs 1 to 7 had at all times been incorporated into the provision made by that Schedule.

11 The amendments made by paragraphs 8 and 9 have effect in relation to disposals made on or after 6 April 2019.

SCHEDULE 7

Section 34

CT PAYMENT PLANS FOR TAX ON CERTAIN TRANSACTIONS WITH EEA RESIDENTS

CT payment plans

1 In TMA 1970, after section 59FA insert—

"**59FB CT payment plans for tax on certain transactions with EEA residents**

Schedule 3ZC makes provision enabling a company that is liable to pay corporation tax arising in connection with certain transactions to defer payment of the tax by entering into a CT payment plan."

2 After Schedule 3ZB to TMA 1970 insert—

"SCHEDULE 3ZC

Section 59FB

CT PAYMENT PLANS FOR TAX ON CERTAIN TRANSACTIONS WITH EEA RESIDENTS

Introduction

1 This Schedule makes provision enabling a company that is liable to pay qualifying corporation tax for an accounting period to defer payment of the tax by entering into a CT payment plan.

Qualifying corporation tax

2 (1) For the purposes of this Schedule a company is liable to pay qualifying corporation tax for an accounting period if CT1 is greater than CT2 where—

CT1 is the corporation tax which the company is liable to pay for the accounting period, and

CT2 is the corporation tax which the company would be liable to pay for the accounting period if any gains, credits, losses or debits arising in respect of qualifying transactions of the company were ignored.

(CT2 will be zero if the company would not be liable to pay any corporation tax for the period).

(2) The amount of qualifying corporation tax which the company is liable to pay is the difference between CT1 and CT2.

Qualifying transactions

3 (1) For the purposes of this Schedule each of the following is a qualifying transaction of a company ("the company concerned")—

(a) a disposal within sub-paragraph (2),
(b) a transaction within sub-paragraph (3),
(c) a transaction within sub-paragraph (4), and
(d) a transfer within sub-paragraph (5).

(2) A disposal is within this sub-paragraph if—
(a) it is a disposal by the company concerned of an asset,
(b) it is a disposal to a company ("the transferee") that at the time of the disposal is resident outside the United Kingdom in an EEA state, and
(c) it is a disposal to which section 139 or 171 of TCGA 1992 would apply were the transferee resident at the time of the disposal in the United Kingdom instead.

(3) A transaction is within this sub-paragraph if—
(a) it is a transaction, or the first in a series of transactions, as a result of which the company concerned is directly or indirectly replaced as a party to a loan relationship by another company ("the transferee"),
(b) at the time of the transaction the transferee is resident outside the United Kingdom in an EEA state, and
(c) it is a transaction to which section 340(3) of CTA 2009 would apply were the transferee resident at the time of the transaction in the United Kingdom instead.

(4) A transaction is within this sub-paragraph if—
(a) it is a transaction, or the first in a series of transactions, as a result of which the company concerned is directly or indirectly replaced as a party to a derivative contract by another company ("the transferee"),
(b) at the time of the transaction the transferee is resident outside the United Kingdom in an EEA state, and
(c) it is a transaction to which section 625(3) of CTA 2009 would apply were the transferee resident at the time of the transaction in the United Kingdom instead.

(5) A transfer is within this sub-paragraph if—
(a) it is a transfer from the company concerned of an intangible fixed asset,
(b) it is a transfer to a company ("the transferee") that immediately after the transfer is resident outside the United Kingdom in an EEA state, and
(c) it is a transfer to which section 775(1) of CTA 2009 would apply were the transferee resident immediately after the transfer in the United Kingdom instead.

(6) In this Schedule "transferee", in relation to a qualifying transaction of a company, means the transferee referred to in sub-paragraph (2), (3), (4) or (5) (as the case may be).

Eligibility to enter a CT payment plan

4 (1) A company that is liable to pay qualifying corporation tax for an accounting period may enter into a CT payment plan in respect of the tax in accordance with this Schedule.

(2) The CT payment plan may relate to—

(a) all of the qualifying corporation tax that the company is liable to pay for the accounting period, or

(b) only part of the qualifying corporation tax that the company is liable to pay for the accounting period.

(3) In this Schedule "deferred tax", in relation to a CT payment plan, means the qualifying corporation tax to which the plan relates.

Application to enter a CT payment plan

5 A company that is liable to pay qualifying corporation tax for an accounting period may enter into a CT payment plan in respect of the tax only if—

(a) an application to enter into the plan is made to HMRC before the end of the period of 9 months beginning immediately after the accounting period, and

(b) the application contains details of all the matters which are required by paragraph 7 to be specified in the plan.

Entering into a CT payment plan

6 (1) A company enters into a CT payment plan if—

(a) the company agrees to pay, and an officer of Revenue and Customs agrees to accept payment of, the deferred tax in accordance with paragraphs 9 to 12,

(b) the company agrees to pay interest on the deferred tax in accordance with paragraph 8(3) and (5), and

(c) the plan meets the requirements of paragraph 7 as to the matters that must be specified in it.

(2) The CT payment plan may, in the circumstances mentioned in sub-paragraph (3), contain appropriate provision regarding security for HMRC in respect of the payment of the deferred tax.

(3) Those circumstances are where an officer of Revenue and Customs considers that agreeing to accept payment of the deferred tax in accordance with paragraphs 9 to 12 would present a serious risk as to collection of the tax in the absence of provision regarding security in respect of its payment.

(4) A CT payment plan is void if any information furnished by the company in connection with the plan does not fully and accurately disclose all facts and considerations material to the decision of the officer of Revenue and Customs to accept payment of the deferred tax in accordance with paragraphs 9 to 12.

Content of CT payment plan

7 (1) A CT payment plan entered into by a company must—

(a) specify the accounting period to which the plan relates ("the accounting period concerned"),

(b) specify the amount of qualifying corporation tax which, in the company's opinion, is payable by it in respect of the accounting period concerned,

(c) specify the amount of the deferred tax,

(d) identify each qualifying transaction of the company in respect of which gains or credits arose in the accounting period concerned, and

(e) specify in relation to each of those qualifying transactions—

(i) the name of the transferee,

(ii) the EEA state in which the transferee was resident at the time of the transaction, and

(iii) the amount of the deferred tax that is attributable to the transaction.

(2) The amount of the deferred tax that is attributable to a qualifying transaction of the company in respect of which a gain or credit arose in the accounting period concerned is—

$$\frac{A}{B} \times T$$

where—

A is the gain or credit that arose in the accounting period concerned in respect of the qualifying transaction,

B is the total gains or credits that arose in the accounting period concerned in respect of all qualifying transactions of the company,

T is the amount of the deferred tax.

Effect of CT payment plan

8 (1) This paragraph applies where a CT payment plan is entered into by a company in accordance with this Schedule.

(2) As regards when the deferred tax is payable—

(a) the CT payment plan does not prevent the deferred tax becoming due and payable under section 59D or 59E, but

(b) the Commissioners for Her Majesty's Revenue and Customs—

(i) may not seek payment of the deferred tax otherwise than in accordance with paragraphs 9 to 12;

(ii) may make repayments in respect of any amount of the deferred tax paid, or any amount paid on account of the deferred tax, before the CT payment plan is entered into.

(3) As regards interest—

(a) the deferred tax carries interest in accordance with Part 9 as if the CT payment plan had not been entered into, and

(b) each time a payment is made in accordance with paragraphs 9 to 12, it is to be paid together with any interest payable on it.

(4) As regards penalties, the company will be liable to penalties for late payment of the deferred tax only if it fails to make payments in accordance with paragraphs 9 to 12 (see item 6ZAA of the Table at the end of paragraph 1 of Schedule 56 to the Finance Act 2009).

(5) Any of the deferred tax which is for the time being unpaid may be paid at any time before it becomes payable under paragraphs 9 to 12 together with interest payable on it to the date of payment.

The payment method: instalments

9 (1) Where a CT payment plan is entered into by a company, the deferred tax is due in 6 instalments of equal amounts as follows—

(a) the first instalment is due on the first day after the period of 9 months beginning immediately after the end of the accounting period to which the plan relates, and

(b) the other 5 instalments are due one on each of the first 5 anniversaries of that day.

(2) But see paragraphs 10 to 12 for circumstances in which all or part of the outstanding balance of the deferred tax becomes due otherwise than by those instalments.

The payment method: all of outstanding balance due

10 (1) Where at any time after a CT payment plan is entered into by a company an event mentioned in sub-paragraph (2) occurs the outstanding balance of the deferred tax is due on the date on which the next instalment of that tax would otherwise be due.

(2) The events are—

(a) the company becoming insolvent or entering administration;

(b) the appointment of a liquidator in respect of the company;

(c) an event under the law of a country or territory outside the United Kingdom corresponding to an event in paragraph (a) or (b);

(d) the company failing to pay any amount of the deferred tax for a period of 12 months after the date on which the amount becomes due;

(e) the company ceasing to be within the charge to corporation tax.

All of outstanding balance attributable to particular qualifying transaction due

11 (1) This paragraph applies where—

(a) a CT payment plan is entered into by a company,

(b) during the instalments period a trigger event occurs in relation to a qualifying transaction identified in the plan, and

(c) a trigger event has not previously occurred in relation to that qualifying transaction during the instalments period.

(2) A trigger event occurs in relation to a qualifying transaction if the transferee ceases to be resident in an EEA state and, on so ceasing, does not become resident another EEA state.

(3) A trigger event occurs in relation to a qualifying transaction if the company and the transferee cease to be members of the same group as one another.

(4) A trigger event occurs in relation to a qualifying transaction within sub-paragraph (2) or (5) of paragraph 3 if the transferee disposes of the asset that is the subject of the transaction.

(5) A trigger event occurs in relation to a qualifying transaction within sub-paragraph (3) or (4) of paragraph 3 if the transferee ceases to be a party to the loan relationship or derivative contract concerned.

(6) On the occurrence of the trigger event an amount of the deferred tax is due.

(7) The amount due is—

$$(A - B) \times \frac{O}{T}$$

where—

"A" is the amount of the deferred tax that is attributable to the qualifying transaction (see paragraph 7(2)),

"B" is the amount of the deferred tax that has previously become due under paragraph 12 by reason of a partial trigger event occurring in relation to the qualifying transaction,

"O" is the amount of the deferred tax that is outstanding at the time of the trigger event, and

"T" is the amount of the deferred tax.

(8) In this paragraph "the instalments period" means the period—

(a) beginning with the time the CT payment plan is entered into, and

(b) ending with the day on which the final instalment of the deferred tax is due under paragraph 9.

Part of outstanding balance attributable to particular qualifying transaction due

12 (1) This paragraph applies where—

(a) a CT payment plan is entered into by a company,

(b) during the instalments period a partial trigger event occurs in relation to a qualifying transaction listed in the plan, and

(c) a trigger event has not previously occurred in relation to that qualifying transaction during the instalments period.

(2) A partial trigger event occurs in relation to a qualifying transaction within sub-paragraph (2) of paragraph 3 if the transferee disposes of part (but not all) of the asset that is the subject of the transaction.

Section 21(2)(b) of TCGA 1992 (meaning of part disposal of an asset) applies for the purposes of this sub-paragraph as it applies for the purposes of that Act.

(3) A partial trigger event occurs in relation to a qualifying transaction within sub-paragraph (3) or (4) of paragraph 3 if there is a disposal by the transferee of a right or liability under the loan relationship or derivative contract concerned which amounts to a related transaction (as defined in section 304 or 596 of CTA 2009 as the case may be).

(4) A partial trigger event occurs in relation to a qualifying transaction within sub-paragraph (5) of paragraph 3 if the transferee enters into a subsequent transaction which results in a reduction in the accounting value of the intangible fixed asset that is the subject of the qualifying transaction but does not result in the intangible fixed asset ceasing to be recognised in the transferee's balance sheet.

(5) In relation to an intangible fixed asset that has no balance sheet value (or no longer has a balance sheet value) sub-paragraph (4) applies as if, immediately before the subsequent transaction, it did have a balance sheet value.

(6) On the occurrence of the partial trigger event an amount of the deferred tax is due.

(7) The amount due is the amount that is just and reasonable having regard to the amount that would have been due had a trigger event occurred in relation to the qualifying transaction instead.

(8) In this paragraph "the instalments period" and "trigger event" have the same meaning as in paragraph 11."

Penalties

3 (1) Schedule 56 to FA 2009 (penalty for failure to make payments on time) is amended as follows.

(2) In the Table at the end of paragraph 1, after entry 6ZA insert—

"6ZAA	Corporation tax	Amount payable under a CT payment plan entered into in accordance with Schedule 3ZC to TMA 1970	The later of— (a) the first day after the period of 12 months beginning immediately after the accounting period to which the CT payment plan relates, and (b) the date on which the amount is payable under the plan."

(3) In paragraph 4 (amount of penalty in respect of certain late payments) in sub-paragraph (1) for "6ZA" substitute "6ZAA".

Commencement

4 (1) The amendments made by this Schedule—

(a) have effect in relation to accounting periods ending on or after 10 October 2018, and

(b) are to be treated as having come into force on 11 July 2019.

(2) The condition for entering into a CT payment plan that is specified in paragraph (a) of paragraph 5 of Schedule 3ZC to TMA 1970 is to be treated as met if an application to enter into the plan is made to HMRC on or before 30 June 2020.

Power of repeal

5 (1) The Treasury may by regulations—

(a) repeal section 59FB of TMA 1970,

(b) repeal Schedule 3ZC to TMA 1970, and

(c) amend Schedule 56 to FA 2009 in consequence of those repeals.

(2) Regulations under this paragraph may contain savings and transitional provisions.

(3) Regulations under this paragraph are to be made by statutory instrument.

(4) A statutory instrument containing regulations under this paragraph is subject to annulment in pursuance of a resolution of the House of Commons.

SCHEDULE 8

Section 56

DIGITAL SERVICES TAX: RETURNS, ENQUIRIES, ASSESSMENTS AND APPEALS

PART 1

INTRODUCTION

1 (1) References in this Schedule—

(a) to the delivery of a DST return are to the delivery of a return by the responsible member for an accounting period where the return complies with the requirements of paragraph 2(2);

(b) to the filing date, in relation to a DST return, are to the last day of the period within which the return must be delivered.

(2) In this Schedule—

"relevant person" has the same meaning as in section 47;

"tax" means digital services tax;

"tribunal" means the First-tier Tribunal, or where determined by or under Tribunal Procedure Rules, the Upper Tribunal.

PART 2

DST RETURNS

DST returns

2 (1) A DST return for an accounting period must be delivered before the end of one year from the end of the accounting period.

(2) A DST return must—

(a) be in the specified form,

(b) contain specified information,

(c) contain an assessment ("a self-assessment") of the amount of tax payable by the group for the accounting period (including a breakdown showing the amount of tax payable by each relevant person), and

(d) contain a declaration by the person making the return that the return is, to the best of the person's knowledge, correct and complete.

(3) In this paragraph "specified" means specified in a notice published by HMRC.

Amendment of return by responsible member

3 (1) This paragraph applies where a DST return has been delivered.

(2) The responsible member may amend the DST return by notice to HMRC.

(3) The notice must—

(a) be in the specified form, and

(b) contain specified information.

(4) In this paragraph "specified" means specified in a notice published by HMRC.

(5) No amendment may be made under this paragraph more than 12 months after the filing date.

PART 3

DUTY TO KEEP AND PRESERVE RECORDS

Duty to keep and preserve records

4 (1) This paragraph applies in relation to a group for an accounting period if the responsible member is required by section 56 to deliver a DST return for that period.

(2) The responsible member must—

(a) keep such records as may be needed to enable it to deliver a correct and complete DST return, and

(b) preserve those records in accordance with this paragraph.

(3) The records must be preserved until the end of the relevant day.

(4) In this paragraph "the relevant day" means—

(a) the sixth anniversary of the last day of the accounting period, or

(b) such earlier day as may be specified (and different days may be specified for different cases).

(5) In this paragraph "specified" means specified in a notice published by HMRC.

Preservation of information etc

5 The duty under paragraph 4 to preserve records may be satisfied—

(a) by preserving them in any form and by any means, or

(b) by preserving the information contained in them in any form and by any means,

subject to any conditions or exceptions specified in a notice published by HMRC.

PART 4

ENQUIRY INTO RETURN

Notice of enquiry

6 (1) An officer of Revenue and Customs may enquire into a DST return if, within the time allowed, the officer gives notice to the responsible member of the officer's intention to do so.

(2) The time allowed is—

(a) if the return was delivered on or before the filing date, up to the end of the period of 12 months after the filing date;

(b) if the return was delivered after the filing date, up to and including the quarter day next following the first anniversary of the day on which the return was delivered;

(c) if the return is amended under paragraph 3, up to and including the quarter day next following the first anniversary of the day on which the return was amended.

The quarter days are 31 January, 30 April, 31 July and 31 October.

(3) A return that has been the subject of one notice of enquiry may not be the subject of another, except one given in consequence of an amendment (or another amendment) of the return under paragraph 3.

(4) A notice under this paragraph is referred to as a "notice of enquiry".

Scope of enquiry

7 (1) An enquiry extends to anything contained in the return, or required to be contained in the return, including anything that relates—

(a) to the question of whether tax is chargeable in respect of the accounting period, or

(b) to the amount of tax so chargeable.

This is subject to the following exception.

(2) If the notice of enquiry is given as a result of an amendment of the return under paragraph 3—

(a) at a time when it is no longer possible to give notice of enquiry under paragraph 6(2)(a) or (b), or

(b) after an enquiry into a return has been completed,

the enquiry into the return is limited to matters to which the amendment relates or that are affected by the amendment.

Amendment of self-assessment during enquiry to prevent loss of tax

8 (1) If at a time when an enquiry is in progress into a DST return an officer of Revenue and Customs forms the opinion—

(a) that the amount stated in the self-assessment contained in the return as the amount of tax payable is insufficient, and

(b) that unless the assessment is immediately amended there is likely to be a loss of tax to the Crown,

the officer may by notice in writing to the responsible member amend the assessment to make good the deficiency.

(2) In the case of an enquiry that under paragraph 7(2) is limited to matters arising from an amendment of the return, sub-paragraph (1) applies only so far as the deficiency is attributable to the amendment.

(3) For the purposes of this paragraph the period during which an enquiry is in progress is the whole of the period—

(a) beginning with the day on which notice of enquiry is given, and

(b) ending with the day on which the enquiry is completed.

Amendment of return by responsible member during enquiry

9 (1) This paragraph applies if a DST return is amended under paragraph 3 at a time when an enquiry is in progress into the return.

(2) The amendment does not restrict the scope of the enquiry but may be taken into account (together with any matters arising) in the enquiry.

(3) While the enquiry is in progress, so far as the amendment affects the amount stated in the self-assessment as the amount of tax payable, the amendment does not take effect in relation to any matter to which it relates or which is affected by it.

(4) An amendment whose effect is deferred under sub-paragraph (3) takes effect as follows—

(a) if the conclusions in a closure notice state either—

(i) that the amendment was not taken into account in the enquiry, or

(ii) that no amendment of the return is required arising from the enquiry,

the amendment takes effect when the closure notice is issued (see paragraph 14);

(b) in any other case, the amendment takes effect as part of the amendments made by the closure notice.

(5) For the purposes of this paragraph the period during which an enquiry is in progress is the whole of the period—

(a) beginning with the day on which notice of enquiry is given, and

(b) ending with the day on which the enquiry is completed.

Referral of questions to the tribunal during enquiry

10 (1) At any time when an enquiry is in progress into a DST return any question arising in connection with the subject-matter of the enquiry may be referred to the tribunal for determination.

(2) Notice of referral must be given to the tribunal, jointly by the responsible member and an officer of Revenue and Customs.

(3) More than one notice of referral may be given under this paragraph in relation to an enquiry.

(4) For the purposes of this paragraph the period during which an enquiry is in progress is the whole of the period—

(a) beginning with the day on which notice of enquiry is given, and

(b) ending with the day on which the enquiry is completed.

Withdrawal of notice of referral

11 An officer of Revenue and Customs or the responsible member may withdraw a notice of referral under paragraph 10.

Effect of referral on enquiry

12 (1) While proceedings on a referral under paragraph 10 are in progress in relation to an enquiry—

(a) no closure notice may be given in relation to the enquiry (see paragraph 14), and

(b) no application may be made for a direction to give such a notice.

(2) For the purposes of this paragraph proceedings on a referral are in progress where—

(a) notice of referral has been given,

(b) the notice has not been withdrawn, and

(c) the questions referred have not been finally determined.

(3) For the purposes of sub-paragraph (2)(c) a question referred is finally determined when—

(a) it has been determined by the tribunal, and

(b) there is no further possibility of the determination being varied or set aside (disregarding any power to grant permission to appeal out of time).

Effect of determination

13 (1) The determination of a question referred to the tribunal under paragraph 10 is binding on the parties to the referral in the same way, and to the same extent, as a decision on a preliminary issue in an appeal.

(2) The determination must be taken into account by an officer of Revenue and Customs—

(a) in reaching the officer's conclusions on the enquiry, and

(b) in formulating any amendments of the return required to give effect to those conclusions.

(3) The question determined may not be reopened on an appeal, except to the extent that it could be reopened if it had been determined as a preliminary issue in that appeal.

Completion of enquiry

14 (1) An enquiry is completed when an officer of Revenue and Customs by notice (a "closure notice") informs the responsible member that the enquiry is complete and states the conclusions reached in the enquiry.

(2) A closure notice must either—

(a) state that in the opinion of an officer of Revenue and Customs no amendment of the return is required, or

(b) make the amendments of the return required to give effect to the conclusions stated in the notice.

(3) A closure notice takes effect when it is issued.

Direction to complete enquiry

15 (1) The responsible member may apply to the tribunal for a direction that an officer of Revenue and Customs give a closure notice under paragraph 14 within a specified period.

(2) The tribunal hearing the application must give a direction unless satisfied that HMRC have reasonable grounds for not giving an enquiry closure notice within a specified period.

(3) Paragraphs 44 (settling of appeals by agreement) and 51 (tribunal determinations) apply to an application under sub-paragraph (1) as they apply to an appeal under paragraph 33, subject to any necessary modifications.

PART 5

HMRC DETERMINATIONS

Determination of tax chargeable if no return delivered

16 (1) An officer of Revenue and Customs may determine to the best of the officer's information and belief the total amount of tax payable by relevant persons for an accounting period ("an HMRC determination") if the conditions in sub-paragraph (2) are met.

(2) The conditions in this sub-paragraph are met if—

(a) no DST return for the accounting period has been delivered by the end of the filing date, and

(b) the officer has reasonable grounds for believing the responsible member is under a duty to deliver a DST return for the accounting period.

(3) Notice of an HMRC determination—

(a) must state the date on which it is issued, and

(b) must be served on the responsible member.

(4) No HMRC determination may be made more than 3 years after the filing date.

Determination to have effect as a self-assessment

17 (1) An HMRC determination has effect for enforcement purposes as if it were a self-assessment (within the meaning of paragraph 2(2)).

(2) In sub-paragraph (1) "for enforcement purposes" means for the purposes of provisions providing for—

(a) tax-related penalties,

(b) collection and recovery of tax, and

(c) interest on overdue tax.

(3) Nothing in this paragraph affects any liability to a penalty for failure to deliver a return.

Determination superseded by actual self-assessment

18 (1) If, after an HMRC determination has been made, a DST return is delivered for the accounting period, the self-assessment included in the return supersedes the determination.

(2) Sub-paragraph (1) does not apply to a return delivered—

(a) more than 3 years after the day on which the power to make the determination first became exercisable, or

(b) more than 12 months after the date of the determination,

whichever is the later.

(3) Where—

(a) proceedings have been begun for the recovery of any tax charged by an HMRC determination, and

(b) before the proceedings are concluded the determination is superseded by a self-assessment,

the proceedings may be continued as if they were proceedings for the recovery of so much of the tax charged by the self-assessment as is due and payable and has not been paid.

(4) Where—

(a) action is being taken under Part 1 of Schedule 8 to F(No.2)A 2015 (enforcement of deduction from accounts) for the recovery of an amount ("the original amount") of tax charged by an HMRC determination, and

(b) before that action is concluded, the determination is superseded by a self-assessment,

that action may be continued as if it were an action for the recovery of so much of the tax charged by the self-assessment as is due and payable, has not been paid and does not exceed the original amount.

PART 6

HMRC ASSESSMENTS

Assessments where loss of tax discovered

19 (1) If, in respect of an accounting period of a group, an officer of Revenue and Customs discovers that—

(a) an amount of tax that ought to have been assessed has not been assessed, or

(b) an assessment to tax is or has become insufficient,

the officer may make an assessment (a "discovery assessment") in the amount or further amount which ought in the officer's opinion to be charged in order to make good to the Crown the loss of tax.

(2) This is subject to the restrictions in paragraph 20.

Restrictions on assessments

20 (1) If a DST return has been delivered in respect of the accounting period, the power to make a discovery assessment—

(a) may only be made in the two cases specified in sub-paragraphs (2) and (3), and

(b) may not be made in the circumstances specified in sub-paragraph (5).

(2) The first case is where the situation mentioned in paragraph 19(1) was brought about carelessly or deliberately on the part of—

(a) a relevant person, or

(b) a person acting on behalf of a relevant person.

(3) The second case is where an officer of Revenue and Customs, at the time the officer—

(a) ceased to be entitled to give a notice of enquiry into the return, or

(b) completed an enquiry into the return,

could not have been reasonably expected, on the basis of the information made available to the officer before that time, to be aware of the situation mentioned in paragraph 19(1).

(4) For this purpose information is regarded as made available to the officer of Revenue and Customs if—

(a) it is contained in the DST return for the accounting period in question or either of the two immediately preceding accounting periods,

(b) it is contained in any documents produced or information provided by the responsible member for the purposes of an enquiry into any such return, or

(c) it is information the existence of which, and the relevance of which as regards the situation mentioned in paragraph 19(1)—

(i) could reasonably be expected to be inferred by the officer of Revenue and Customs from information falling within paragraph (a) or (b), or

(ii) are notified in writing to an officer of Revenue and Customs by the responsible member or another person acting on the responsible member's behalf.

(5) No discovery assessment may be made if—

(a) the situation mentioned in paragraph 19(1) is attributable to a mistake in the return as to the basis on which the tax liability ought to have been calculated, and

(b) the return was in fact made on the basis or in accordance with the practice generally prevailing at the time it was made.

Time limits for discovery assessments

21 (1) The general rule is that no discovery assessment may be made more than 4 years after the end of the accounting period to which it relates.

(2) An assessment in a case involving a loss of tax brought about carelessly by a relevant person (or a person acting on their behalf) may be made at any time not more than 6 years after the end of the accounting period to which it relates.

(3) An assessment in a case involving a loss of tax—

(a) brought about deliberately by a relevant person (or a person acting on their behalf), or

(b) attributable to a failure by the responsible member to comply with an obligation under section 54,

may be made at any time not more than 20 years after the end of the accounting period to which it relates.

Assessment procedure etc

22 (1) Where notice of a discovery assessment is issued, the notice must be served on the responsible member.

(2) The notice must state—

(a) the tax due,

(b) the date on which the notice is issued, and

(c) the time within which any appeal against the assessment must be made.

(3) After notice of the assessment has been served under this paragraph, the assessment may not be altered except as provided for by or under this Part of this Act.

(4) Where an officer of Revenue and Customs has—

(a) decided to make an assessment to tax, and

(b) taken all other decisions needed for arriving at the amount of the assessment,

the officer may entrust to some other officer of Revenue and Customs the responsibility for completing the assessing procedure, whether by means involving the use of a computer or otherwise, including responsibility for serving notice of the assessment.

Liability to amounts charged by way of discovery assessment

23 (1) This paragraph applies where—

(a) notice of a discovery assessment has been issued under paragraph 22, and

(b) no appeal has been brought against the assessment under paragraph 33(1)(c).

(2) The responsible member is liable to the tax due, subject as follows.

(3) The responsible member may make a request to an officer of Revenue and Customs for one or more other relevant persons to be liable to the tax due (or any part of it).

(4) The request must be made within 30 days of the date of issue of the notice of assessment.

(5) Within 30 days of receiving the request, the officer must—
- (a) either agree to the request or refuse it,
- (b) notify the responsible member of the decision, and
- (c) if the officer agrees to the request, give effect to it by making all necessary adjustments.

(6) An officer may not agree to the request unless satisfied it is reasonable in all the circumstances.

(7) A request or notification under this paragraph must be in writing.

PART 7

RELIEF IN CASE OF OVERPAID TAX

Claim for relief for overpaid tax

24 (1) This paragraph applies where, in relation to a group, an amount has been paid by way of tax for an accounting period which was not tax due.

(2) The responsible member may make a claim to the Commissioners for repayment of the amount.

(3) The Commissioners must give effect to such a claim; but this is subject to—
- (a) paragraph 26 (cases where no liability to give effect to claim), and
- (b) paragraph 27 (power to enquire into claims).

(4) Except as provided for by or under this Part of this Act, the Commissioners are not liable to repay any amount paid by way of tax by reason of the fact it was not tax due.

(5) This paragraph is to be read with paragraph 25.

Making a claim

25 (1) A claim under paragraph 24 may not be made—
- (a) if the amount paid is excessive by reason of a mistake in a DST return or returns, more than 4 years after the end of the accounting period to which the return (or, if more than one, the first return) relates, and
- (b) otherwise, more than 4 years after the end of the accounting period in respect of which the amount was paid.

(2) A claim must—
- (a) be in the specified form, and
- (b) contain specified information.

(3) A claim may not be made by being included in a DST return.

(4) In this paragraph "specified" means specified in a notice published by HMRC.

Cases in which Commissioners not liable to give effect to claim

26 (1) If, or to the extent that, a claim under paragraph 24 falls within any of Cases A to D, the Commissioners are not liable to give effect to the claim.

(2) Case A is where, in relation to the group, there is unpaid DST liability for the accounting period.

(3) Case B is where the responsible member is or will be able to seek relief by taking other steps under this Part of this Act.

(4) Case C is where the responsible member—

(a) could have sought relief by taking such steps within a period that has now expired, and

(b) knew, or ought reasonably to have known, before the end of that period that such relief was available.

(5) Case D is where—

(a) the amount paid is excessive by reason of a mistake in calculating the amount of tax payable by the group for the accounting period, and

(b) the amount was calculated in accordance with the practice generally prevailing at the time.

(6) In this paragraph "DST liability" has the same meaning as in section 66.

Power to enquire into claims

27 (1) An officer of Revenue and Customs may enquire into a claim under paragraph 24 if the officer gives notice to the responsible member of the officer's intention to do within the time allowed.

(2) The time allowed is the period ending with the quarter day next following the first anniversary of the day on which the claim was made.

The quarter days are 31 January, 30 April, 31 July and 31 October.

(3) A claim enquired into under sub-paragraph (1) may not be the subject of a further notice under that sub-paragraph.

Completion of enquiry into claim etc

28 (1) An enquiry under paragraph 27 is completed when the officer by notice (a "closure notice") informs the responsible member that the enquiry is complete and states the conclusions reached in the enquiry.

(2) A closure notice must either—

(a) state that in the opinion of an officer of Revenue and Customs no amendment of the claim is required, or

(b) make the amendments of the claim required to give effect to the conclusions stated in the notice.

(3) A closure notice takes effect when it is issued.

(4) The officer must give effect to any amendments made by the closure notice by making such adjustments as may be necessary whether—
  (a) by way of assessment, or
  (b) by discharge or repayment of tax.

(5) The adjustments must be made within 30 days of the date of issue of the closure notice.

(6) Paragraph 15 (direction to complete enquiry) applies in relation to an enquiry under paragraph 27 as it applies in relation to an enquiry under paragraph 6.

Assessment for excessive repayment etc

29 (1) This paragraph applies where—
  (a) an amount has been paid by way of a repayment of tax, and
  (b) the amount paid exceeded the amount which the Commissioners were liable at that time to repay.

(2) The Commissioners may—
  (a) to the best of their judgment, assess the amount of the excess, and
  (b) notify the amount to the responsible member.

Supplementary assessments

30 (1) This paragraph applies where—
  (a) an assessment has been notified under paragraph 29, and
  (b) it appears to the Commissioners that the amount which ought to have been assessed as due exceeds the amount that has already been assessed.

(2) The Commissioners may—
  (a) on or before the last day on which the assessment under paragraph 29 could have been made, make a supplementary assessment of the amount of tax due, and
  (b) notify the amount to the responsible member.

Further provision about assessments under paragraphs 29 and 30

31 (1) An amount assessed and notified under paragraph 29 or 30 counts as a liability to digital services tax for the purposes of this Part of this Act.

(2) But sub-paragraph (1) does not have effect if, or to the extent that, the assessment has been withdrawn or reduced.

Time limits for assessments

32 An assessment under paragraph 29 or 30 may not be made more than 4 years after the end of the accounting period in which evidence of facts sufficient in the opinion of the Commissioners to justify making the assessment comes to their knowledge.

PART 8

APPEALS AGAINST HMRC DECISIONS ON TAX

Right of appeal

33 (1) An appeal may be brought against—

(a) an amendment of a DST return under paragraph 8 (amendment during enquiry to prevent loss of tax);

(b) an amendment made by a closure notice under paragraph 14;

(c) a discovery assessment (under paragraph 19);

(d) an amendment made by a closure notice under paragraph 28;

(e) an assessment made under paragraph 29 or 30.

(2) Any such appeal is to be brought by the responsible member ("the appellant").

(3) If an appeal under sub-paragraph (1)(a) against an amendment of a self-assessment is made while an enquiry into the return is in progress none of the steps mentioned in paragraph 36(2)(a) to (c) may be taken in relation to the appeal until the enquiry is completed.

Notice of appeal

34 (1) Notice of appeal under paragraph 33 must be given to HMRC—

(a) in writing,

(b) within 30 days after the specified date.

(2) In sub-paragraph (1) "specified date" means—

(a) in relation to an appeal under paragraph 33(1)(a), the date on which the notice of amendment was issued;

(b) in relation to an appeal under paragraph 33(1)(b) or (d), the date on which the closure notice was issued;

(c) in relation to an appeal under paragraph 33(1)(c) or (e), the date on which the notice of assessment was issued.

(3) The notice of appeal must specify the grounds of appeal.

Late notice of appeal

35 (1) This paragraph applies in a case where—

(a) notice of appeal may be given to HMRC under this Schedule, but

(b) no notice is given before the relevant time limit.

(2) Notice may be given after the relevant time limit if—

(a) HMRC agree, or

(b) where HMRC do not agree, the tribunal gives permission.

(3) HMRC must agree to notice being given after the relevant time limit if the appellant has requested in writing that HMRC do so and HMRC are satisfied—

(a) that there was a reasonable excuse for not giving the notice before the relevant time limit, and

(b) that the request has been made without unreasonable delay.

(4) If a request of the kind mentioned in sub-paragraph (3) is made, HMRC must notify the appellant whether or not HMRC agree to the request.

(5) In this paragraph "relevant time limit", in relation to notice of appeal, means the time before which the notice must be given (disregarding this paragraph).

Steps that may be taken following notice of appeal

36 (1) This paragraph applies if notice of appeal has been given to HMRC.

(2) In such a case—

(a) the appellant may notify HMRC that the appellant requires HMRC to review the matter in question (see paragraph 37),

(b) HMRC may notify the appellant of an offer to review the matter in question (see paragraph 38), or

(c) the appellant may notify the appeal to the tribunal.

(3) This paragraph does not prevent the matter in question from being dealt with in accordance with paragraph 44(1) and (2) (settling of appeals by agreement).

Right of appellant to require review

37 (1) If the appellant notifies HMRC that it requires them to review the matter in question, HMRC must—

(a) notify the appellant of HMRC's view of the matter in question within the relevant period, and

(b) review the matter in question in accordance with paragraph 39.

(2) Sub-paragraph (1) does not apply if—

(a) the appellant has already given a notification under this paragraph in relation to the matter in question,

(b) HMRC have given a notification under paragraph 40 in relation to the matter in question, or

(c) the appellant has notified the appeal to the tribunal.

(3) In this paragraph "the relevant period" means—

(a) the period of 30 days beginning with the day on which HMRC receive the notification from the appellant, or

(b) such longer period as is reasonable.

Offer of review by HMRC

38 (1) Sub-paragraphs (2) to (5) apply if HMRC notify the appellant of an offer to review the matter in question.

(2) The notification must include a statement of HMRC's view of the matter in question.

(3) If the appellant notifies HMRC within the acceptance period that it accepts the offer, HMRC must review the matter in question in accordance with paragraph 39.

(4) If the appellant does not accept the offer in accordance with sub-paragraph (3)—

(a) HMRC's view of the matter in question is treated as if it were contained in a settlement agreement (see paragraph 44(1)), but

(b) paragraph 44(3) (right to withdraw from agreement) does not apply in relation to that notional agreement.

(5) Sub-paragraph (4) does not apply to the matter in question if, or to the extent that, the appellant notifies the appeal to the tribunal under paragraph 42.

(6) HMRC may not take the action mentioned in sub-paragraph (1) at any time if before that time—

(a) HMRC have given a notification under this paragraph in relation to the matter in question,

(b) the appellant has given a notification under paragraph 37 in relation to the matter in question, or

(c) the appellant has notified the appeal to the tribunal.

(7) In this paragraph "acceptance period" means the period of 30 days beginning with the date of the document by which HMRC notify the appellant of the offer to review the matter in question.

Nature of review

39 (1) This paragraph applies if HMRC are required by paragraph 37 or 38 to review the matter in question.

(2) The nature and extent of the review are to be such as appear appropriate to HMRC in the circumstances.

(3) For the purpose of sub-paragraph (2), HMRC must, in particular, have regard to steps taken before the beginning of the review—

(a) by HMRC in deciding the matter in question, and

(b) by any person in seeking to resolve disagreement about the matter in question.

(4) The review must take account of any representations made by the appellant at a stage which gives HMRC a reasonable opportunity to consider them.

(5) The review may conclude that HMRC's view of the matter in question is to be—

(a) upheld,

(b) varied, or

(c) cancelled.

(6) HMRC must notify the appellant of the conclusions of the review and their reasoning within—

(a) the period of 45 days beginning with the relevant day, or

(b) such other period as may be agreed.

(7) In sub-paragraph (6) "relevant day" means—

(a) in a case where the appellant required the review, the day when HMRC notified the appellant of HMRC's view of the matter in question;

(b) in a case where HMRC offered the review, the day when HMRC received notification of the appellant's acceptance of the offer.

(8) If HMRC do not give notice of the conclusions of the review within the period specified in sub-paragraph (6), the review is treated as having concluded that HMRC's view of the matter in question is upheld.

(9) If sub-paragraph (8) applies, HMRC must notify the appellant of the conclusions which the review is treated as having reached.

Effect of conclusions of review

40 (1) If HMRC give notice of the conclusions of a review (see paragraph 39)—

(a) the conclusions are to be treated as if they were contained in a settlement agreement (see paragraph 44(1)), but

(b) paragraph 44(3) (withdrawal from agreement) does not apply in relation to that notional agreement.

(2) Sub-paragraph (1) does not apply to the matter in question if, or to the extent that, the appellant notifies the appeal to the tribunal (see paragraphs 41 and 42).

Notifying appeal to tribunal after appellant has required review

41 (1) Where HMRC have notified an appellant under paragraph 37(1)(a) of their view of a matter to which an appeal under paragraph 33 relates, the appellant—

(a) may not notify the appeal to the tribunal before the beginning of the post-review period;

(b) may notify the appeal to the tribunal after the end of that period only if the tribunal gives permission.

(2) Except where sub-paragraph (3) applies, the post-review period is the period of 30 days beginning with the date of the document in which HMRC give notice of the conclusions of the review in accordance with paragraph 39(6).

(3) If the period specified in paragraph 39(6) ends without HMRC having given notice of the conclusions of the review, the post-review period is the period that—

(a) begins with the day following the last day of the period specified in paragraph 39(6), and

(b) ends 30 days after the date of the document in which HMRC give notice of the conclusions of the review in accordance with paragraph 39(9).

Notifying appeal to tribunal after HMRC have offered review

42 (1) Where HMRC have offered to review the matter to which a notice of an appeal under paragraph 33 relates, the right of the appellant at any time to notify the appeal to the tribunal depends on whether or not the appellant has accepted the offer at that time.

(2) If the appellant has accepted the offer, the appellant—

(a) may not notify the appeal to the tribunal before the beginning of the post-review period;

(b) may notify the appeal to the tribunal after the end of that period only if the tribunal gives permission.

(3) If the appellant has not accepted the offer, the appellant—

(a) may notify the appeal to the tribunal within the acceptance period;

(b) may notify the appeal to the tribunal after the end of that period only if the tribunal gives permission.

(4) In this paragraph—

(a) "acceptance period" has the same meaning as in paragraph 38;
(b) "post-review period" has the same meaning as in paragraph 41.

Interpretation of paragraphs 36 to 42

43 (1) In paragraphs 36 to 42—
(a) "matter in question" means the matter to which an appeal relates;
(b) a reference to a notification is to a notification in writing.

(2) In paragraphs 36 to 42, a reference to the appellant includes a person acting on behalf of the appellant except in relation to—
(a) notification of HMRC's view under paragraph 37(1)(a);
(b) notification by HMRC of an offer of review (and of their view of the matter) under paragraph 38;
(c) notification of the conclusions of a review under paragraph 39(6) or (9).

(3) But if a notification falling within any of paragraphs (a) to (c) of sub-paragraph (2) is given to the appellant, a copy of the notification may also be given to a person acting on behalf of the appellant.

Settling of appeals by agreement

44 (1) In relation to an appeal of which notice has been given under paragraph 34, "settlement agreement" means an agreement in writing between the appellant and an officer of Revenue and Customs that is—
(a) entered into before the appeal is determined, and
(b) to the effect that the decision appealed against should be upheld without variation, varied in a particular manner or discharged or cancelled.

(2) Where a settlement agreement is entered into in relation to an appeal, the consequences are to be the same (for all purposes) as if, at the time the agreement was entered into, the tribunal had decided the appeal and had upheld the decision without variation, varied it in that manner or discharged or cancelled it, as the case may be.

(3) Sub-paragraph (2) does not apply if, within 30 days beginning with the date on which the settlement agreement was entered into, the appellant gives notice in writing to HMRC that it wishes to withdraw from the agreement.

(4) Sub-paragraph (5) applies where notice of an appeal has been given under paragraph 34 and—
(a) the appellant notifies HMRC, orally or in writing, that the appellant does not wish to proceed with the appeal, and
(b) HMRC do not, within 30 days after that notification, give the appellant notice in writing indicating that they are unwilling that the appeal should be withdrawn.

(5) Sub-paragraphs (1) to (3) have effect as if, at the date of the appellant's notification, the appellant and an officer of Revenue and Customs had agreed that the decision under appeal should be upheld without variation.

Appeal does not postpone recovery of tax

45 (1) Where there is an appeal under paragraph 33, the tax in question remains due and payable as if there had been no appeal.

(2) That is subject to paragraphs 46 and 47.

Application for payment of tax to be postponed

46 (1) If the appellant has grounds for believing that the amendment or assessment overcharges a relevant person to tax, the appellant may—

(a) first apply by notice in writing to HMRC within 30 days after the specified date for a determination by them of the amount of tax the payment of which should be postponed pending the determination of the appeal, and

(b) if the appellant does not agree with a determination made by HMRC under paragraph (a), refer the application for postponement to the tribunal within 30 days from the date of the document notifying HMRC's determination.

An application under paragraph (a) must state the amount believed to be overcharged to tax and the grounds for that belief.

(2) An application under sub-paragraph (1) may be made more than 30 days after the specified date if there is a change in the circumstances of the case as a result of which the appellant has grounds for believing that the relevant person is overcharged to tax by the decision appealed against.

(3) If, after an application under sub-paragraph (1) has been determined, there is a change in the circumstances of the case as a result of which either party has grounds for believing that the amount determined has become either excessive or insufficient, that party may (if the parties cannot agree on a revised determination) apply to the tribunal for a revised determination of that amount.

(4) An application under sub-paragraph (3) may be made at any time before the determination of the appeal.

(5) Paragraphs 35 (late notice of appeal) and 44 (settling of appeals by agreement) apply to an application under this paragraph as they apply to an appeal under paragraph 33, subject to any necessary modifications.

(6) The amount of tax of which payment is to be postponed pending the determination of the appeal is the amount (if any) by which it appears that there are reasonable grounds for believing that the relevant person is overcharged.

(7) A decision of the tribunal under this paragraph is final and conclusive (despite the provisions of sections 11 and 13 of the Tribunals, Courts and Enforcement Act 2007).

(8) In this paragraph "specified date" has the meaning given by paragraph 34.

Agreement to postpone payment of tax

47 (1) If the appellant and HMRC agree that payment of an amount of tax should be postponed pending the determination of the appeal, the consequences are to be the same (for all purposes) as if the tribunal had, at the time when the agreement was entered into, made a direction to the same effect as the agreement.

This is without prejudice to the making of a further agreement or further direction.

(2) Where the agreement is not in writing—

(a) sub-paragraph (1) does not apply unless the fact that an agreement was entered into, and the terms agreed, are confirmed by notice in writing given by HMRC to the appellant or by the appellant to HMRC, and

(b) the reference in sub-paragraph (1) to the time when the agreement was entered into is to be read as a reference to the time when notice of confirmation was given.

(3) References in this paragraph to an agreement being entered into with an appellant, and to the giving of notice to or by the appellant, include references to an agreement being entered into, or notice being given to or by, a person acting on behalf of the appellant in relation to the appeal.

Assessments and self-assessments

48 (1) This paragraph applies where an appeal under paragraph 33 has been notified to the tribunal.

(2) If the tribunal decides that a relevant person is overcharged by a self-assessment or any other assessment, the assessment must be reduced accordingly.

(3) If the tribunal decides that a relevant person is undercharged to tax by a self-assessment or any other assessment, the assessment must be increased accordingly.

(4) In a case where neither sub-paragraph (2) or (3) apply, the assessment is to stand good.

Payment of tax where appeal has been determined

49 (1) This paragraph applies where an appeal under paragraph 33 has been notified to the tribunal.

(2) On the determination of the appeal, any tax overpaid must be repaid.

(3) On the determination of the appeal, section 51 has effect in relation to any relevant tax.

(4) The reference to "relevant tax" is to any tax payable in accordance with the determination, so far as it is tax—

(a) the payment of which had been postponed, or

(b) which would not have been charged by the amendment or assessment if there had been no appeal.

Payment of tax where there is a further appeal

50 (1) Where a party to an appeal to the tribunal under paragraph 33 makes a further appeal, tax is to be payable or repayable in accordance with the determination of the tribunal or court (as the case may be), even though the further appeal is pending.

(2) But if the amount charged by the assessment is altered by the order or judgment of the Upper Tribunal or court, then—

(a) if too much tax has been paid, the amount overpaid must be refunded, with any interest allowed by the order or judgment, and

(b) if too little tax has been charged, section 51 has effect in relation to the amount undercharged.

Tribunal determinations

51 The determination of the tribunal in relation to any proceedings under this Part of this Schedule is final and conclusive except as otherwise provided in sections 9 to 14 of the Tribunals, Courts and Enforcement Act 2007 (or in this Part of this Act).

PART 9

PENALTIES

Failure to deliver return: flat-rate penalty

52 (1) A person who is required to file a DST return and fails to do so by the filing date is liable to a penalty under this paragraph.

The person may also be liable to a penalty under paragraph 53 (tax-related penalties).

(2) The penalty is—

(a) £100, if the return is delivered within 3 months after the filing date;

(b) £200, in any other case.

(3) The amounts are increased to £500 and £1,000 (respectively) for a third successive failure.

(4) For this purpose, a "third successive failure" occurs where—

(a) the duty under section 56 (duty to file returns) applies in relation to a group for 3 successive accounting periods,

(b) a person was liable to a penalty under this paragraph in respect of each of the first 2 accounting periods, and

(c) a person is liable to a penalty under this paragraph in respect of the third accounting period.

Failure to deliver return: tax-related penalty

53 (1) A person who is required to file a DST return for an accounting period and fails to do so within 18 months from the end of that period is liable to a penalty under this paragraph.

This is in addition to any penalty under paragraph 52 (flat-rate penalty).

(2) The penalty is—

(a) 10% of the unpaid tax, if the return is filed within 2 years from the end of the accounting period;

(b) 20% of the unpaid tax, in any other case.

(3) The "unpaid tax" means the total amount of tax payable by members of the group for the accounting period which remains unpaid on the date when the liability to the penalty under this paragraph arises.

Failure to deliver a return: reasonable excuse

54 (1) Liability to a penalty under paragraph 52 or 53 in relation to a failure to make a return does not arise if the person ("P") satisfies HMRC or (on appeal) the tribunal that there is a reasonable excuse for the failure.

(2) For that purpose—

(a) an insufficiency of funds is not a reasonable excuse,

(b) where P relies on any other person to do anything, that is not a reasonable excuse unless P took reasonable care to avoid the failure, and

(c) where P had a reasonable excuse for the failure but the excuse has ceased, P is to be treated as having continued to have the excuse if the failure is remedied without unreasonable delay after the excuse ceased.

Failure to keep and preserve records: penalty

55 (1) A person who fails to comply with paragraph 4 in relation to an accounting period is liable to a penalty not exceeding £3,000, subject to the following exception.

(2) No penalty is incurred if HMRC are satisfied that any facts which they reasonably require to be proved, and which would have been proved by the records, are proved by other documentary evidence provided to HMRC.

Assessment of penalty, etc

56 (1) If a person is liable to a penalty under this Part of this Schedule, HMRC must—

(a) assess the penalty, and

(b) notify the person.

(2) The assessment of a penalty—

(a) is to be treated for procedural purposes in the same way as an assessment to tax (except in respect of a matter expressly provided for by this Schedule),

(b) may be enforced as if it were an assessment to tax, and

(c) may be combined with an assessment to tax.

(3) A supplementary assessment may be made in respect of a penalty if an earlier assessment is based on an amount of tax due and payable that is found by HMRC to be an underestimate or insufficient.

(4) Sub-paragraph (5) applies if—

(a) an assessment in respect of a penalty is based on a liability to tax that would have been shown in a return, and

(b) that liability is found by HMRC to be excessive.

(5) HMRC may by notice amend the assessment so it is based on the correct amount.

(6) An amendment under sub-paragraph (5)—

(a) does not affect when the penalty must be paid;

(b) may be made after the last day on which the assessment in question could have been made (under sub-paragraph (7)).

(7) An assessment of a penalty must be made before the end of the period of 12 months beginning with—

(a) the end of the appeal period for the assessment of the liability to tax which would have been shown in the return, or

(b) if there is no such assessment, the date on which that liability is ascertained or it is ascertained that the liability is nil.

(8) In sub-paragraph (7) "appeal period" means the period during which—

(a) an appeal could be brought, or

(b) an appeal that has been brought has not been determined or withdrawn.

(9) A penalty must be paid before the end of the period of 30 days beginning with the day on which notification of the penalty is issued.

Special reduction

57 (1) If HMRC think it right because of special circumstances, they may reduce a penalty under this Part of this Schedule.

(2) In sub-paragraph (1) "special circumstances" does not include—

(a) ability to pay, or

(b) the fact that a potential loss of revenue from one taxpayer is balanced by a potential over-payment by another.

(3) In sub-paragraph (1) the reference to reducing a penalty includes a reference to—

(a) staying a penalty, and

(b) agreeing a compromise in relation to proceedings in respect of a penalty.

Right to appeal against penalty

58 A person may appeal against—

(a) a decision of HMRC that a penalty under this Part of this Schedule is payable by the person, or

(b) a decision of HMRC as to the amount of any such penalty.

Procedure on appeal against penalty

59 (1) Part 8 of this Schedule (apart from paragraphs 33, 45 to 47, and 49) applies in relation to an appeal under paragraph 58 as it applies in relation to an appeal under paragraph 33.

(2) On an appeal under paragraph 58, payment of the penalty is postponed pending determination of the appeal.

(3) On an appeal under paragraph 58(a) that is notified to the tribunal, the tribunal may confirm or cancel the decision.

(4) On an appeal under paragraph 58(b) that is notified to the tribunal, the tribunal may—

(a) confirm the decision, or

(b) substitute for the decision another decision that HMRC had power to make.

(5) If the tribunal substitutes its decision for HMRC's, the tribunal may rely on paragraph 57—

(a) to the same extent as HMRC (which may mean applying the same percentage reduction as HMRC to a different starting point), or

(b) to a different extent, but only if the tribunal thinks that HMRC's decision in respect of the application of that paragraph was flawed.

(6) In sub-paragraph (5)(b) "flawed" means flawed when considered in the light of the principles applicable in proceedings for judicial review.

(7) On determination of an appeal under paragraph 58, where a penalty is payable it is to be paid before the end of 30 days beginning with the day on which the determination was issued.

Payments in respect of penalties

60 (1) This paragraph applies if—

(a) a person liable to a penalty under this Part of this Schedule has an agreement in relation to the penalty with one or more companies within the charge to corporation tax, and

(b) as a result of the agreement, the person receives a payment or payments in respect of the penalty that do not, in total, exceed the amount of the penalty.

(2) The payment—

(a) is not to be taken into account in calculating the profits for corporation tax purposes of either the person or the company making the payment, and

(b) is not to be regarded as a distribution for corporation tax purposes.

SCHEDULE 9

Section 66

DST PAYMENT NOTICES

Introduction

1 (1) This Schedule applies where a payment notice has been given to a person ("the recipient").

(2) In this Schedule—

"DST liability", "payment notice" and "relevant person" have the same meaning as in section 66;

"relevant liability" means any DST liability in relation to the group for the accounting period.

Payment notice: effect

2 (1) For the purposes of the recovery from the recipient of any unpaid digital services tax, penalty or interest (including interest accruing after the date of the payment notice) the recipient is treated as if—

(a) any relevant liability of a person other than the recipient were a liability of the recipient ("the deemed liability"),

(b) the deemed liability became due and payable when the relevant liability became due and payable, and

(c) any payments made in respect of the relevant liability were made in respect of the deemed liability.

(2) Nothing in this paragraph gives the recipient a right to appeal against any assessment, determination or other decision giving rise to a relevant liability (or against the deemed liability).

Payment notice: appeals

3 (1) The recipient may appeal against the notice, within the period of 30 days beginning with the date on which it is given, on the ground that the person is not a relevant person.

(2) Where an appeal is made, anything required by the notice to be paid is due and payable as if there had been no appeal.

Payment notices: effect of making payment etc

4 (1) If the recipient pays any amount in pursuance of the notice the recipient may recover that amount from the person liable to pay it.

(2) In calculating the recipient's income, profits or losses for any tax purposes—

(a) a payment in pursuance of the notice is not allowed as a deduction, and

(b) the reimbursement of any such payment is not regarded as a receipt.

(3) Any amount paid by the recipient in pursuance of the notice is to be taken into account in calculating—

(a) the amount unpaid, and

(b) the amount due by virtue of any other payment notice relating to the amount unpaid.

(4) Similarly, any payment by the person liable to pay it of any of the amount unpaid is to be taken into account in calculating the amount due by virtue of the payment notice (or by virtue of any other payment notice relating to the amount unpaid).

SCHEDULE 10

Section 70

DIGITAL SERVICES TAX: MINOR AND CONSEQUENTIAL AMENDMENTS

Provisional Collection of Taxes Act 1968

1 In section 1(1) of the Provisional Collection of Taxes Act 1968 (temporary statutory effect of House of Commons resolutions affecting income tax etc) after "the apprenticeship levy," insert "digital services tax,".

FA 1989

2 (1) Section 178(2) of FA 1989 (setting of interest rates) is amended as follows.

(2) Omit the "and" at the end of paragraph (u).

(3) After paragraph (v) insert—

"(w) sections 67 and 68 of the Finance Act 2020."

FA 2007

3 (1) Schedule 24 to FA 2007 (penalties for errors) is amended as follows.

(2) In paragraph 1, in the table after the entry relating to accounts in connection with ascertaining liability to corporation tax insert—

"Digital services tax	DST return under paragraph 2 of Schedule 8 to FA 2020."

FA 2008

4 FA 2008 is amended as follows.

5 (1) Schedule 36 (information and inspection powers) is amended as follows.

(2) In paragraph 63(1) after paragraph (cb) insert—

"(cc) digital services tax,".

6 (1) Schedule 41 (penalties for failure to notify etc) is amended as follows.

(2) In paragraph 1, in the table after the entry relating to diverted profits tax insert—

"Digital services tax	Obligation under section 54 of FA 2020 (obligation to notify HMRC when threshold conditions for digital services tax are met)."

(3) In paragraph 7 after sub-paragraph (4A) insert—

"(4B) In the case of a relevant obligation relating to digital services tax and an accounting period, the potential lost revenue is so much of any digital services tax payable by members of the group for the accounting period as by reason of the failure is unpaid 12 months after the end of the accounting period."

SCHEDULE 11

Section 89

PRIVATE PLEASURE CRAFT

Amendments of HODA 1979

1 HODA 1979 is amended as follows.

2 In section 6AB(4A) after "vehicles" insert "etc".

3 (1) Section 12 is amended as follows.

(2) In subsection (1) after "vehicle" insert "or as fuel for propelling a private pleasure craft".

(3) After subsection (2) insert—

"(2A) For provision relating to private pleasure craft that corresponds to subsection (2), and for the meaning of "private pleasure craft", see section 14E."

(4) In the heading at the end insert "etc".

4 In section 13ZB(5), in paragraph (b) of the definition of "prohibited use" after "vehicle" insert "or as fuel for a private pleasure craft".

5 In section 14A for subsection (4) substitute—

"(4) For the meaning of "private pleasure craft", see section 14E."

6 (1) Section 14B is amended as follows.

(2) In subsection (1)(a)—

(a) at the end of sub-paragraph (i) (but before the "or") insert—

"(ia) used as fuel for propelling a private pleasure craft,";

(b) in sub-paragraph (ii) for "so used" substitute "used as mentioned in sub-paragraph (i) or (ia)".

(3) In the heading at the end insert "etc".

7 (1) Section 14C is amended as follows.

(2) In subsection (1)—

(a) at the end of paragraph (b) insert "or";

(b) omit the "or" at the end of paragraph (c);

(c) omit paragraph (d).

(3) Omit subsection (4A).

8 For section 14E substitute—

"**14E Restrictions on use of certain fuel for private pleasure craft**

(1) Restricted fuel must not—

(a) be used as fuel for propelling a private pleasure craft,

(b) be used as an additive or extender in any substance so used, or

(c) be taken into the fuel supply of an engine provided for propelling a vessel that is being used as a private pleasure craft.

(2) "Restricted fuel" means—

(a) rebated fuel, or

(b) marked oil that is not rebated fuel.

(3) "Rebated fuel" means rebated heavy oil, rebated biodiesel or rebated bioblend.

(4) "Marked oil" means any hydrocarbon oil in which a marker is present which is for the time being designated by regulations made by the Commissioners under subsection (5) below, other than marked oil which is in the fuel supply of an engine provided for propelling a vessel having been taken in to that supply in accordance with the law of the place where it was taken in.

(5) The Commissioners may for the purposes of this section designate any marker which appears to them to be used for the purposes of the law of any place (whether within or outside the United Kingdom) for identifying hydrocarbon oil that is not to be used as fuel for propelling private pleasure craft.

(6) In this Act "private pleasure craft" has the same meaning as in Article 14(1)(c) of Council Directive 2003/96/EC (taxation of energy products etc).

(7) The Treasury may by regulations provide for cases in which a vessel is treated as not being a private pleasure craft for the purposes of this Act (which may include cases in which the vessel is used in accordance with instructions given by an officer of HMRC for the purposes of removing restricted fuel from the vessel)."

9 For section 14F substitute—

"**14F Penalties for contravention of section 14E**

(1) Conduct within any of the following paragraphs attracts a penalty under section 9 of the Finance Act 1994 (civil penalties)—
- (a) using restricted fuel in contravention of section 14E(1);
- (b) becoming liable for restricted fuel being taken into the fuel supply of an engine—
  - (i) in contravention of section 14E(1), or
  - (ii) having reason to believe that it will be put to a particular use that is a prohibited use;
- (c) supplying restricted fuel, having reason to believe that it will be put to a particular use that is a prohibited use.

(2) An offence is committed if—
- (a) a person intentionally uses restricted fuel in contravention of section 14E(1),
- (b) a person is liable for restricted fuel being taken into the fuel supply of an engine, and the restricted fuel was taken in with the intention by the person that restrictions imposed by section 14E(1) should be contravened, or
- (c) a person supplies restricted fuel, intending that it will be put to a particular use that is a prohibited use.

(3) A person guilty of an offence under this section is liable—
- (a) on summary conviction, to a fine not exceeding the maximum fine or imprisonment for a term not exceeding the maximum term (or both);
- (b) on conviction on indictment, to a fine or imprisonment for a term not exceeding 7 years (or both).

(4) For the purposes of subsection (3)(a) the "maximum fine" is—
- (a) in England and Wales, £20,000 or (if greater) 3 times the value of the heavy oil, biodiesel or bioblend in question;
- (b) in Scotland or Northern Ireland, the statutory maximum or (if greater) 3 times the value of the heavy oil, biodiesel or bioblend in question.

(5) For the purposes of subsection (3)(a) the "maximum term" is—
- (a) in England or Wales (subject to subsection (6)) or Scotland, 12 months;
- (b) in Northern Ireland, 6 months.

(6) In relation to an offence committed before the commencement of section 282 of the Criminal Justice Act 2003 (increase in maximum term that may be imposed on summary conviction of offence triable either way), subsection (5)(a) has effect in England and Wales as if for "12 months" there were substituted "6 months".

(7) Restricted fuel is liable to forfeiture if it is—

(a) taken into the fuel supply of an engine as mentioned in section 14E(1),

(b) supplied as mentioned in subsection (1)(c) or (2)(c) above, or

(c) taken into the fuel supply of an engine provided for propelling a vessel at a time when it is not a private pleasure craft and remains in the vessel as part of that fuel supply at a later time when it becomes a private pleasure craft.

(8) If rebated fuel is used or taken into the fuel supply of an engine in contravention of section 14E(1), the Commissioners may—

(a) assess an amount equal to the rebate on like fuel at the rate in force at the time of the contravention as being excise duty due from any person who—

(i) used the rebated fuel, or

(ii) was liable for it being taken into the fuel supply, and

(b) notify the person or the person's representative accordingly.

(9) In this section—

"prohibited use" means a use that contravenes section 14E(1);

"rebated fuel" has the meaning given by section 14E(3);

"restricted fuel" has the meaning given by section 14E(2)."

10 In section 20AAA(4)(a) after "vehicle" insert "or as fuel for propelling a private pleasure craft".

11 In section 24 (control of use of duty-free and rebated oil) after subsection (3) insert—

"(3A) Subsection (3) does not apply to heavy oil, biodiesel or bioblend used for propelling a private pleasure craft if it is proved to the satisfaction of the Commissioners that the heavy oil, biodiesel or bioblend was taken into the vessel in accordance with the laws of the place where it was taken in."

12 In section 27(1) at the appropriate place insert—

""private pleasure craft" has the meaning given by section 14E;".

13 (1) Schedule 4 (regulations under section 24) is amended as follows.

(2) In paragraph 19 after "vehicle" insert "or a vessel".

(3) In paragraph 20 after "vehicle" insert "or a vessel".

(4) In paragraph 21—

(a) the existing provision becomes sub-paragraph (1) of that paragraph;

(b) in that sub-paragraph—

(i) after "vehicles" insert "or vessels";

(ii) after "vehicle" insert "or vessel";

(c) after that sub-paragraph insert—

"(2) In this paragraph "premises" includes any floating structure.

(3) Nothing in sub-paragraph (1) enables regulations to be made authorising the examination of the interior of part of a vessel if that part is used as a dwelling."

14 (1) Schedule 5 (sampling) is amended as follows.

(2) In paragraph 1—

(a) in sub-paragraph (a)—

(i) for "motor vehicle" substitute "vehicle or a vessel";

(ii) after "the vehicle" insert "or the vessel";

(b) in sub-paragraph (b) for "motor vehicle" substitute "vehicle or a vessel".

(3) In paragraph 2(3) after "vehicle" insert "or the vessel".

(4) In paragraph 4 after sub-paragraph (6) insert—

"(6A) In sub-paragraphs (5) and (6) "land" includes any floating structure."

(5) In paragraph 7 after "vehicle" insert "or a vessel".

Other amendments

15 In Schedule 7A to VATA 1994, in Group 1, in Note 1(3) omit paragraph (b) (and the "or" immediately before it).

16 In Schedule 41 to FA 2008, in the table in paragraph 3(1) for the entry relating to section 14F(2) of HODA 1979 substitute—

"HODA 1979 section 14F(8)	Rebated heavy oil, biodiesel or bioblend".

17 In Schedule 9 to TCTA 2018, in paragraph 6 omit sub-paragraphs (3) and (4).

General

18 Paragraphs 1 to 17 of this Schedule come into force on such day or days as the Treasury may by regulations appoint.

19 Different days may be appointed for different purposes or different areas.

20 The Treasury may by regulations make such transitional, transitory or saving provision as they consider appropriate in connection with the coming into force of any of those paragraphs (including provision conferring functions on the Commissioners for Her Majesty's Revenue and Customs).

21 The Treasury may by regulations make such amendments of any enactment as they consider appropriate in consequence of the coming into force of any of paragraphs 1 to 17.

22 A statutory instrument containing regulations under paragraph 21 is subject to annulment in pursuance of a resolution of the House of Commons.

23 Any power to make regulations under this Schedule is exercisable by statutory instrument.

SCHEDULE 12

Section 95

CARBON EMISSIONS TAX

Introduction

1 Part 3 of FA 2019 (carbon emissions tax) is amended in accordance with paragraphs 2 to 8.

Power to set emissions allowance

2 (1) Section 73 (emissions allowance) is amended in accordance with this paragraph.

(2) The existing text becomes subsection (1).

(3) After that subsection insert—

"(2) Regulations under this section—

(a) may have effect in relation to the reporting period during which they are made, and

(b) may make provision by reference to data relating to times before they are made."

Power to make further provision by regulations

3 In section 70 (charge to carbon emission tax), at the end insert—

"(4) The Treasury may by regulations provide that carbon emissions tax is not charged in relation to regulated installations of a specified description."

4 (1) Section 75 (power to make further provision about carbon emissions tax) is amended in accordance with this paragraph.

(2) In subsection (1)(d) (enforcement) after "tax" insert "(including provision for the imposition of civil penalties for failure to comply with a requirement of regulations under this Part)".

(3) In subsection (2)(d) (review and appeal), omit "of a regulator".

(4) In subsection (3) (regulations), for paragraph (b) substitute—

"(b) modify—

(i) the Monitoring and Reporting Regulation;

(ii) the Verification Regulation;

(iii) subordinate legislation relating to the monitoring or regulation of emissions."

5 In section 76 (consequential provision), in subsection (5), for the words from "amend" to the end substitute "modify—

(a) any enactment (whenever passed or made);

(b) the Monitoring and Reporting Regulation;

(c) the Verification Regulation."

6 (1) Section 78 (regulations) is amended in accordance with this paragraph.

(2) In subsection (1)—

(a) in paragraph (a) (conferral of functions etc), after "discretions on" insert "HMRC, the Secretary of State,";

(b) in paragraph (b) (charges), after "regulations" insert "or in anticipation of the conferral of such a function".

(3) For subsection (3) (procedure) substitute—

"(3) A statutory instrument containing regulations under section 76(4) that make provision amending or repealing any provision of an Act of Parliament must be laid before the House of Commons after being made and, unless approved by that House before the end of the period of 40 days beginning with the date on which the instrument is made, ceases to have effect at the end of that period."

(4) After subsection (5) insert—

"(6) The fact that a statutory instrument ceases to have effect as a result of subsection (3) does not affect—

(a) anything previously done under the instrument, or

(b) the making of a new instrument.

(7) In calculating the period of 40 days mentioned in subsection (3), no account is to be taken of any time—

(a) during which Parliament is dissolved or prorogued, or

(b) during which the House of Commons is adjourned for more than four days."

Interpretation

7 (1) Section 77 (interpretation) is amended in accordance with this paragraph.

(2) In subsection (1)—

(a) after the definition of "installation" insert—

""modify" includes amend, repeal or revoke;";

(b) for the definition of "the Monitoring and Reporting Regulation" substitute—

""the Monitoring and Reporting Regulation" means Commission Implementing Regulation (EU) 2018/2066 of 19 December 2018 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council and amending Commission Regulation (EU) No 601/2012 (as amended from time to time);";

(c) in the definition of "reporting period" omit "(subject to section 79(4))";

(d) for the definition of "the Verification Regulation" substitute—

""the Verification Regulation" means Commission Implementing Regulation (EU) No 2018/2067 of 19 December 2018 on the verification of data and on the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council (as amended from time to time)."

(3) For subsection (4) substitute—

"(4) For the purposes of this Part, the Monitoring and Reporting Regulation is to be treated for the purposes of section 3 of the European Union (Withdrawal)

Act 2018 as if it is fully in force immediately before IP completion day (even if it is not)."

Commencement and transitional provision

8 (1) Section 79 (commencement and transitional provision) is amended in accordance with this paragraph.

(2) For subsection (1) substitute—

"(1) This Part comes into force—

(a) for the purposes of making regulations under section 70, 73, 75 or 76, on the day after the day on which paragraphs 1 to 8 of Schedule 12 to FA 2020 come into force, and

(b) for all other purposes, on such day as the Commissioners may by regulations appoint."

(3) Omit subsections (3) to (5).

Penalty for failure to make payments on time

9 In Schedule 56 to FA 2009 (penalty for failure to make payments on time), in the Table in paragraph 1, after item 10A insert—

"10B	Carbon emissions tax	Amount payable under section 70(3) of FA 2019	The date determined by or under regulations under section 75 of FA 2019 as the date by which the amount must be paid"

Commencement

10 Paragraph 9 comes into force on such day as the Treasury may by regulations made by statutory instrument appoint.

SCHEDULE 13

Section 100

JOINT AND SEVERAL LIABILITY OF COMPANY DIRECTORS ETC

Introduction

1 (1) This Schedule provides for an individual to be jointly and severally liable to the Commissioners for Her Majesty's Revenue and Customs, in certain circumstances involving insolvency or potential insolvency, for amounts payable to the Commissioners by a company.

(2) Such liability arises where the individual is given a notice under—

(a) paragraph 2(1) (tax avoidance and tax evasion cases),

(b) paragraph 3(1) (repeated insolvency and non-payment cases), or

(c) paragraph 5(1) (cases involving penalty for facilitating avoidance or evasion).

A notice under paragraph 2(1), 3(1) or 5(1) is referred to in this Schedule as a "joint liability notice".

(3) In this Schedule "company" has the same meaning as in the Corporation Tax Acts (see section 1121 of CTA 2010), except that it also includes a limited liability partnership.

(4) Paragraph 18 makes provision about the application of this Schedule in relation to limited liability partnerships.

Tax avoidance and tax evasion cases

2 (1) An authorised HMRC officer may give a notice under this sub-paragraph to an individual if it appears to the officer that conditions A to E are met.

(2) Condition A is that a company has—

(a) entered into tax-avoidance arrangements, or

(b) engaged in tax-evasive conduct.

(3) Condition B is that—

(a) the company is subject to an insolvency procedure, or

(b) there is a serious possibility of the company becoming subject to an insolvency procedure.

(4) Condition C is that—

(a) the individual—

(i) was responsible (whether alone or with others) for the company entering into the tax-avoidance arrangements or engaging in the tax-evasive conduct, or

(ii) received a benefit which, to the individual's knowledge, arose (wholly or partly) from those arrangements or that conduct,

at a time when the individual was a director or shadow director of the company or a participator in it, or

(b) the individual took part in, assisted with or facilitated the tax-avoidance arrangements or the tax-evasive conduct at a time when the individual—

(i) was a director or shadow director of the company, or

(ii) was concerned, whether directly or indirectly, or was taking part, in the management of the company.

(5) For the purposes of sub-paragraph (4)(a)(ii)—

(a) an individual is treated as knowing anything that the individual could reasonably be expected to know;

(b) an individual is treated as receiving anything that is received by a person with whom the individual is connected (within the meaning given by section 993 of ITA 2007).

(6) Condition D is that there is, or is likely to be, a tax liability referable to the tax-avoidance arrangements or to the tax-evasive conduct ("the relevant tax liability").

(7) Condition E is that there is a serious possibility that some or all of the relevant tax liability will not be paid.

(8) A notice under sub-paragraph (1) must—
- (a) specify the company to which the notice relates;
- (b) set out the reasons for which it appears to the officer that conditions A to E are met;
- (c) state the effect of the notice;
- (d) offer the individual a review of the decision to give the notice, and explain the effect of paragraph 11 (right of review);
- (e) explain the effect of paragraph 13 (right of appeal).

(9) It must also—
- (a) specify the amount of the relevant tax liability, if the existence and amount of that liability have been established;
- (b) if not, indicate that the amount will be specified in a further notice.

(10) Once the existence and amount of the relevant tax liability have been established in a case to which sub-paragraph (9)(b) applies, an authorised HMRC officer must give a further notice specifying that amount.

(11) A notice under sub-paragraph (10) must—
- (a) be given to the individual to whom the notice under sub-paragraph (1) was given;
- (b) offer the individual a review of the decision to give the notice, and explain the effect of paragraph 11 (right of review);
- (c) explain the effect of paragraph 13 (right of appeal).

(12) An individual who is given a notice under sub-paragraph (1) is jointly and severally liable with the company (and with any other individual who is given such a notice) for the relevant tax liability.

This is subject to paragraph 9 (interaction with penalties).

(13) The amount of the individual's liability under sub-paragraph (12) is taken to be the amount specified under sub-paragraph (9)(a) or (10).

For provision under which the amount so specified may be varied, see—
- (a) paragraph 10 (modification etc),
- (b) paragraphs 11 and 12 (review), and
- (c) paragraphs 13 and 14 (appeal).

Repeated insolvency and non-payment cases

3 (1) An authorised HMRC officer may give a notice under this sub-paragraph to an individual if it appears to the officer that conditions A to D are met.

(2) A notice under sub-paragraph (1) may not be issued after the end of the period of two years beginning with the day on which HMRC first became aware of facts sufficient for them reasonably to conclude that conditions A to D are met.

(3) Condition A is that there are at least two companies ("the old companies") in the case of each of which—

(a) the individual had a relevant connection with the company at any time during the period of five years ending with the day on which the notice is given ("the five-year period"),

(b) the company became subject to an insolvency procedure during the five-year period, and

(c) at the time when the company became subject to that procedure—

(i) the company had a tax liability, or

(ii) the company had failed to submit a relevant return or other document, or to make a relevant declaration or application, that it was required to submit or make, or

(iii) the company had submitted a relevant return or other document, or had made a relevant declaration or application, but an act or omission on the part of the company had prevented HMRC from dealing with it.

In sub-paragraphs (ii) and (iii) "relevant" means relevant to the question whether the company had a tax liability or how much its tax liability was.

(4) Condition B is that another company ("the new company") is or has been carrying on a trade or activity that is the same as, or is similar to, a trade or activity previously carried on by—

(a) each of the old companies (if there are two of them), or

(b) any two of the old companies (if there are more than two).

(5) Condition C is that the individual has had a relevant connection with the new company at any time during the five-year period.

(6) Condition D is that at the time when the notice is given—

(a) at least one of the old companies referred to in sub-paragraph (4)(a) or (b) has a tax liability, and

(b) the total amount of the tax liabilities of those companies—

(i) is more than £10,000, and

(ii) is more than 50% of the total amount of those companies' liabilities to their unsecured creditors.

(7) An individual who is given a notice under sub-paragraph (1) is jointly and severally liable with the new company (and with any other individual who is given such a notice)—

(a) for any tax liability that the new company has on the day on which the notice is given, and

(b) for any tax liability of the new company that arises—

(i) during the period of five years beginning with that day, and

(ii) while the notice continues to have effect.

(8) If an old company referred to in sub-paragraph (4)(a) or (b) has a tax liability on the day on which an individual is given a notice under sub-paragraph (1), the individual is also jointly and severally liable with that company (and with any other individual who is given such a notice) for that liability.

(9) Sub-paragraphs (7) and (8) are subject to paragraph 9 (interaction with penalties).

(10) For the purposes of this paragraph—

(a) an individual has a "relevant connection" with one of the old companies if the individual—
(i) is a director or shadow director of the company, or
(ii) is a participator in the company;
(b) an individual has a "relevant connection" with the new company if the individual—
(i) is a director or shadow director of the company,
(ii) is a participator in the company, or
(iii) is concerned, whether directly or indirectly, or takes part, in the management of the company.

(11) A notice under sub-paragraph (1) must—
(a) set out the reasons for which it appears to the officer giving the notice that conditions A to D are met;
(b) state the effect of the notice;
(c) specify any amounts for which the individual is liable under sub-paragraph (7)(a) or (8);
(d) offer the individual a review of the decision to give the notice, and explain the effect of paragraph 11 (right of review);
(e) explain the effect of paragraph 13 (right of appeal).

(12) The amount of the individual's liability under sub-paragraph (7)(a) or (8) is taken to be the amount specified under sub-paragraph (11)(c).

For provision under which the amount so specified may be varied, see—
(a) paragraph 10 (modification etc),
(b) paragraphs 11 and 12 (review), and
(c) paragraphs 13 and 14 (appeal).

4 (1) The Treasury may by regulations made by statutory instrument—
(a) amend paragraph 3(6)(b)(i) by substituting a different amount for the one that is for the time being specified there;
(b) amend paragraph 3(6)(b)(ii) by substituting a different percentage for the one that is for the time being specified there.

(2) A statutory instrument containing regulations under this paragraph—
(a) is subject to annulment in pursuance of a resolution of the House of Commons, if the regulations increase the specified amount by no more than is necessary to reflect changes in the value of money;
(b) otherwise, may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

Cases involving penalty for facilitating avoidance or evasion

5 (1) An authorised HMRC officer may give a notice under this sub-paragraph to an individual if it appears to the officer that conditions A to D are met.

(2) Condition A is that—
(a) a penalty under any of the specified provisions (see sub-paragraph (6)) has been imposed on a company by HMRC, or
(b) proceedings have been commenced before the First-tier Tribunal for a penalty under any of those provisions to be imposed on a company.

(3) Condition B is that—

(a) the company is subject to an insolvency procedure, or

(b) there is a serious possibility of the company becoming subject to an insolvency procedure.

(4) Condition C is that the individual was a director or shadow director of the company, or a participator in it, at the time of any act or omission in respect of which—

(a) the penalty was imposed, or

(b) the proceedings for the penalty were commenced.

(5) Condition D is that there is a serious possibility that some or all of the penalty will not be paid.

(6) The specified provisions are—

(a) section 98C(1) of the TMA 1970 (penalties for breach of certain obligations relating to disclosure of tax avoidance schemes by promoters etc of schemes);

(b) paragraphs 2 and 3 of Schedule 35 to FA 2014 (promoters of tax avoidance schemes: penalties);

(c) paragraph 1 of Schedule 20 to FA 2016 (penalties for enablers of offshore tax evasion or non-compliance);

(d) Part 1 of Schedule 16 to F(No.2)A 2017 (penalties for enablers of defeated tax avoidance);

(e) Part 2 of Schedule 17 to that Act (penalties for breach of certain obligations relating to disclosure of tax avoidance schemes by promoters etc of schemes).

(7) A notice under sub-paragraph (1) must—

(a) specify the company to which the notice relates;

(b) set out the reasons for which it appears to the officer that conditions A to D are met;

(c) state the effect of the notice;

(d) offer the individual a review of the decision to give the notice, and explain the effect of paragraph 11 (right of review);

(e) explain the effect of paragraph 13 (right of appeal).

(8) It must also—

(a) specify the amount of the penalty, if sub-paragraph (2)(a) applies;

(b) if sub-paragraph (2)(b) applies, indicate that the amount will be specified in a further notice.

(9) Once the existence and amount of the penalty have been established in a case where sub-paragraph (2)(b) applies, an authorised HMRC officer must give a further notice specifying that amount.

(10) A notice under sub-paragraph (9) must—

(a) be given to the individual to whom the notice under sub-paragraph (1) was given;

(b) offer the individual a review of the decision to give the notice, and explain the effect of paragraph 11 (right of review);

(c) explain the effect of paragraph 13 (right of appeal).

(11) An individual who is given a notice under sub-paragraph (1) is jointly and severally liable with the company (and with any other individual who is given such a notice) for the amount of the penalty.

(12) The amount of the individual's liability under sub-paragraph (11) is taken to be the amount specified under sub-paragraph (8)(a) or (9).

For provision under which the amount so specified may be varied, see—

(a) paragraph 10 (modification etc),

(b) paragraphs 11 and 12 (review), and

(c) paragraphs 13 and 14 (appeal).

"Tax-avoidance arrangements"

6 (1) In this Schedule "tax-avoidance arrangements" means—

(a) arrangements in respect of which a notice has been given under paragraph 12 of Schedule 43 to FA 2013, paragraph 8 or 9 of Schedule 43A to that Act or paragraph 8 of Schedule 43B to that Act (notice of final decision after considering opinion of GAAR Advisory Panel) stating that a tax advantage is to be counteracted under the general anti-abuse rule;

(b) arrangements in respect of which a notice has been given under section 204 of FA 2014 (follower notice) and not withdrawn;

(c) DOTAS arrangements within the meaning given by subsection (5) of section 219 of that Act (circumstances in which an accelerated payment notice may be given);

(d) arrangements to which HMRC have allocated a reference number under paragraph 22 of Schedule 17 to F(No.2)A 2017 (disclosure of tax avoidance schemes: VAT and other indirect taxes) or in respect of which the promoter must provide prescribed information under paragraph 23 of that Schedule;

(e) arrangements in relation to which a relevant tribunal order has been made;

(f) arrangements that—

(i) are substantially the same as arrangements in relation to which a relevant tribunal order has been made (whether involving the same or different parties), and

(ii) have as their promoter the person specified as the promoter in the application for the order.

(2) For the purposes of sub-paragraph (1)(e) and (f) a relevant tribunal order is made in relation to arrangements if the tribunal—

(a) makes an order under—

(i) subsection (1)(a) of section 314A of FA 2004 (order to disclose), or

(ii) paragraph 4(1)(a) of Schedule 17 to F(No.2)A 2017 (corresponding provision for indirect taxes),

that a proposal for the arrangements is notifiable;

(b) makes an order under—

(i) subsection (1)(b) of that section, or

(ii) paragraph 4(1)(b) of that Schedule,

that the arrangements are notifiable;

(c) makes an order under—

(i) subsection (1)(a) of section 306A of FA 2004 (doubt as to notifiability), or

(ii) paragraph 5(1)(a) of Schedule 17 to F(No.2)A 2017,

that a proposal for the arrangements is to be treated as notifiable;

(d) makes an order under—

(i) subsection (1)(b) of that section, or

(ii) paragraph 5(1)(b) of that Schedule,

that the arrangements are to be treated as notifiable.

(3) Section 307 of FA 2004 (meaning of "promoter") applies for the purposes of sub-paragraph (1)(f)(ii).

In that section as it so applies—

(a) references to a notifiable proposal are to be read as references to the proposal mentioned in sub-paragraph (2)(a) or (c);

(b) references to notifiable arrangements are to be read as references to the arrangements mentioned in sub-paragraph (2)(b) or (d).

"Tax-evasive conduct"

7 In this Schedule "tax-evasive conduct" means—

(a) giving to HMRC any deliberately inaccurate return, claim, document or information, or

(b) deliberately failing to comply with an obligation specified in the Table in paragraph 1 of Schedule 41 to FA 2008 (obligations to notify liability to tax, etc).

"Insolvency procedure" etc

8 (1) For the purposes of this Schedule a company is "subject to an insolvency procedure" if—

(a) it is undergoing, or has undergone, a relevant winding up (see sub-paragraphs (2) and (3)),

(b) it is in administration (see sub-paragraph (4)) or is a company to which sub-paragraph (5) applies,

(c) it is in receivership (see sub-paragraph (6)),

(d) a relevant scheme (see sub-paragraph (7)) has effect in relation to it, or

(e) its name has been struck off the register under section 1000 or 1003 of the Companies Act 2006.

(2) A company is "undergoing a relevant winding up" for the purposes of this paragraph if—

(a) it is being wound up under—

(i) the Insolvency Act 1986 ("the 1986 Act"), or

(ii) the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)) ("the 1989 Order"),

otherwise than by way of a members' voluntary winding up,

(b) it is being wound up by way of a members' voluntary winding up under the 1986 Act, or the 1989 Order, and the period of 12 months beginning with the

day on which that winding up commenced has expired without the company having paid its debts in full together with interest at the official rate, or

(c) a corresponding situation to a winding up under the 1986 Act or the 1989 Order exists in relation to the company under the law of a country or territory outside the United Kingdom.

(3) A company has "undergone a relevant winding up" for the purposes of this paragraph if—

(a) it has been wound up under the 1986 Act, or the 1989 Order, otherwise than by way of a members' voluntary winding up,

(b) it has been wound up by way of a members' voluntary winding up under the 1986 Act, or the 1989 Order, without having paid its debts in full together with interest at the official rate, or

(c) it has been wound up or dissolved under the law of a country or territory outside the United Kingdom.

(4) A company is "in administration" for the purposes of this paragraph if—

(a) it is in administration within the meaning given by paragraph 1 of Schedule B1 to the 1986 Act or paragraph 2 of Schedule B1 to the 1989 Order, or

(b) there is in force in relation to it under the law of a country or territory outside the United Kingdom any appointment corresponding to the appointment of an administrator under either of those Schedules.

(5) This sub-paragraph applies to a company in respect of which—

(a) a notice under sub-paragraph (1) of paragraph 84 of Schedule B1 to the 1986 Act (moving from administration to dissolution) has been registered under sub-paragraph (3) of that paragraph, or

(b) a notice under sub-paragraph (1) of paragraph 85 of Schedule B1 to the 1989 Order (corresponding provision for Northern Ireland) has been registered under sub-paragraph (3) of that paragraph,

unless an order has been made in relation to that notice under sub-paragraph (7)(c) of that paragraph.

(6) A company is "in receivership" for the purposes of this paragraph if—

(a) there is (or, but for a temporary vacancy, would be) a person who in relation to the company—

(i) is acting as administrative receiver in accordance with Chapter 1 of Part 3 of the 1986 Act or Part 4 of the 1989 Order, or

(ii) is acting as receiver by virtue of section 51 of the 1986 Act, or

(b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.

(7) In this paragraph "relevant scheme" means a compromise or arrangement—

(a) under Part 1 of the 1986 Act or Part 2 of the 1989 Order (company voluntary arrangements),

(b) under Part 26 of the Companies Act 2006 (arrangements and reconstructions), or

(c) under any corresponding provision of a country or territory outside the United Kingdom.

Interaction with penalties

9 The amount for which an individual is jointly and severally liable under paragraph 2 or 3 in respect of a company's tax liability is reduced by the amount of any penalty that the individual has paid in relation to that liability under any of the following provisions—

(a) section 61 of VATA 1994 (VAT evasion: liability of directors etc);

(b) section 28 of FA 2003 (liability of directors etc where body corporate liable to penalty for evasion of customs duty etc);

(c) paragraph 19 of Schedule 24 to FA 2007 (liability of company officer where company liable to penalty under that Schedule);

(d) paragraph 22 of Schedule 41 to FA 2008 (liability of company officer where company liable to penalty under that Schedule).

Withdrawal or modification of notice

10 (1) HMRC must withdraw a joint liability notice given to an individual, by giving a further notice to the individual, if—

(a) any of the relevant conditions were not met when the joint liability notice was given, or

(b) it is not necessary for the protection of the revenue for the notice to continue to have effect.

(2) In this Schedule "relevant conditions" means—

(a) conditions A to E in paragraph 2, in the case of a notice under paragraph 2(1);

(b) conditions A to D in paragraph 3, in the case of a notice under paragraph 3(1);

(c) conditions A to D in paragraph 5, in the case of a notice under paragraph 5(1).

(3) HMRC must withdraw a notice given to an individual under paragraph 3(1), by giving a further notice to the individual, if—

(a) at least one of the old companies (see paragraph 3(3)) is a company that—

(i) became subject to an insolvency procedure on the basis that it was being wound up by way of a members' voluntary winding up, and

(ii) pays its debts in full, together with interest at the official rate, after the end of the period of 12 months beginning with the day on which the members' voluntary winding up commenced but before the end of that winding up, and

(b) condition A in paragraph 3 would not have been met if that company, or each of them (if more than one), had not been subject to an insolvency procedure.

(4) For the purposes of sub-paragraph (3)(a)(ii), the end of a members' voluntary winding up of a company happens when—

(a) the company is dissolved in pursuance of the members' voluntary winding up, or

(b) the members' voluntary winding up becomes a creditors' voluntary winding up.

(5) HMRC may withdraw a notice given to an individual under this Schedule, by giving a further notice to the individual, if they think it appropriate to do so even though sub-paragraph (1) or (3) does not apply.

(6) Where an individual has been given a joint liability notice, HMRC may by further notice to the individual vary an amount specified—

(a) under paragraph 2(9)(a) or (10), paragraph 3(11)(c) or paragraph 5(8)(a) or (9), or

(b) under this sub-paragraph,

if it seems to them that the amount so specified is, or has become, too much or not enough.

(7) Subject to sub-paragraph (8), a joint liability notice that is withdrawn under this paragraph is of no effect.

(8) Where a joint liability notice is withdrawn under sub-paragraph (1)(b) or (3), the withdrawal of the notice does not give the individual a right to recover any amount that the individual has already paid to HMRC in response to the notice.

Right of review

11 (1) Where—

(a) an individual is given a joint liability notice or a notice under paragraph 2(10) or 5(9), and

(b) before the end of the permitted period the individual communicates to HMRC written acceptance of the offer of a review contained in the notice,

HMRC must review the decision to give the notice.

(2) For the purposes of this paragraph "the permitted period" begins with the day on which the notice mentioned in sub-paragraph (1)(a) is given, and ends—

(a) with the 30th day after that day, or

(b) if HMRC give the individual a further notice specifying a later day (an "extension notice"), with that day.

(3) An extension notice—

(a) must be given before the permitted period would (but for the notice) have expired;

(b) must specify a day that is at least 30 days after the date of the extension notice;

(c) may be given even if one or more extension notices have already been given.

(4) If the individual does not accept the offer of a review within the permitted period, HMRC must nevertheless review the decision in question if—

(a) after the end of the permitted period, the individual gives HMRC a notice requesting a review out of time, and

(b) HMRC are satisfied that the individual had a reasonable excuse for not accepting the offer within the permitted period, and that the individual made the request without unreasonable delay after the excuse ceased to apply.

(5) HMRC are not required to undertake or continue a review under this paragraph if the individual appeals under paragraph 13 against the notice in question.

Reviews under paragraph 11

12 (1) This paragraph applies where HMRC are required to undertake a review under paragraph 11.

(2) The nature and extent of the review are to be such as appear appropriate to HMRC in the circumstances.

(3) HMRC must, in particular, have regard to steps taken before the beginning of the review—

(a) by HMRC in reaching the decision, and

(b) by any person in seeking to resolve disagreement about the decision.

(4) The review must take account of any representations made by the individual at a stage which gives HMRC a reasonable opportunity to consider them.

(5) But it is not open to the individual to challenge the existence or amount of any tax liability of a company to which the joint liability notice in question relates.

(6) At the conclusion of the review—

(a) HMRC must set aside the notice to which the review relates if it appears to them that—

(i) any of the relevant conditions were not met when the notice was given, or

(ii) it is not necessary for the protection of the revenue for the notice to continue to have effect;

(b) HMRC must set aside the notice or vary an amount specified under paragraph 2(9)(a), 3(11)(c) or 5(8)(a), or (as the case may be) paragraph 2(10) or 5(9), if it appears to HMRC that the amount specified is incorrect;

(c) otherwise, HMRC must uphold the notice.

(7) HMRC must give the individual notice of the conclusions of the review and their reasoning—

(a) within the period of 45 days beginning with the relevant date, or

(b) within any other period that HMRC and the individual may agree.

(8) In sub-paragraph (7) "relevant date" means—

(a) the date on which HMRC received the individual's notification accepting the offer of a review (in a case falling within paragraph 11(1)), or

(b) the date on which HMRC decided to undertake the review (in a case falling within paragraph 11(4)).

(9) Where HMRC do not give notice of the conclusions within the time period specified in sub-paragraph (7)—

(a) the notice to which the review relates is treated as upheld, and

(b) HMRC must notify the individual accordingly.

(10) Where a joint liability notice is set aside under sub-paragraph (6)(a)(ii), the setting aside of the notice does not give the individual a right to recover any amount that the individual has already paid to HMRC in response to the notice.

Right of appeal

13 (1) An individual who has been given—
(a) a joint liability notice, or
(b) a notice under paragraph 2(10) or 5(9),
may appeal against the notice to the First-tier Tribunal.

(2) An appeal under this paragraph must be made before—
(a) the end of the period of 30 days beginning with the day on which the notice appealed against is given, or
(b) if later, the end of the permitted period (within the meaning given by paragraph 11(2)).

This is subject to sub-paragraphs (3) to (5).

(3) Where HMRC are required to undertake a review under paragraph 11 in respect of a notice, any appeal in respect of that notice must be made within the period of 30 days beginning with the date of the notice under paragraph 12(7) communicating the conclusions of the review ("the conclusion date").

(4) Where HMRC are requested to undertake a review in accordance with paragraph 11(4)—
(a) no appeal may be made unless HMRC have notified the individual as to whether or not a review will be undertaken;
(b) if HMRC have notified the individual that a review will be undertaken, any appeal must be made within the period of 30 days beginning with the conclusion date;
(c) if HMRC have notified the individual that a review will not be undertaken, an appeal may be made only if the tribunal gives permission.

(5) Where paragraph 12(9) applies, any appeal must be made—
(a) after the end of the period specified in paragraph 12(7), and
(b) before the end of the period of 30 days beginning with the date of the notice under paragraph 12(9)(b).

(6) An appeal may be made after the end of the period specified in sub-paragraph (2), (3), (4)(b) or (5)(b) if the tribunal gives permission.

Appeals under paragraph 13

14 (1) On an appeal under paragraph 13—
(a) the tribunal must set aside the notice appealed against if it appears to the tribunal that—
(i) any of the relevant conditions were not met when the notice was given, or
(ii) it is not necessary for the protection of the revenue for the notice to continue to have effect;
(b) the tribunal must set aside the notice or vary an amount specified under paragraph 2(9)(a), 3(11)(c) or 5(8)(a), or (as the case may be) paragraph 2(10) or 5(9), if it appears to the tribunal that the amount specified is incorrect;
(c) otherwise, the tribunal must uphold the notice.

(2) It is not open to an individual appealing under paragraph 13 to challenge the existence or amount of any tax liability of a company to which the joint liability notice in question relates.

(But see paragraph 15, under which the individual may in certain circumstances pursue an appeal in place of the company.)

(3) Where a notice is set aside under sub-paragraph (1)(a)(ii), the setting aside of the notice does not give the individual a right to recover any amount that the individual has already paid to HMRC in response to the notice.

Appeal in respect of liability of company

15 (1) Where—

(a) an individual is made jointly and severally liable by a joint liability notice for a tax liability of a company,

(b) an appeal by the company in respect of that liability has been commenced (whether before or after the joint liability notice is given) but has not been determined, and

(c) the company is subject to an insolvency procedure,

the individual is entitled to be a party to the proceedings, and may continue the appeal if the company is unable or unwilling to do so.

(2) Where—

(a) an individual is made jointly and severally liable by a joint liability notice for a tax liability of a company, and

(b) the company is subject to an insolvency procedure and does not make an appeal in respect of that liability,

an appeal in respect of that liability may be made in the name of the individual.

(3) An appeal made under sub-paragraph (2) may be commenced within the period of 30 days beginning with the day on which the joint liability notice is given (even if a time limit for the company to appeal has expired).

Proceedings for determination of penalty to be imposed on company

16 Where an individual is given a notice under paragraph 5(1) in a case where paragraph 5(2)(b) applies (proceedings commenced before First-tier Tribunal for penalty to be imposed on company), the individual is entitled to be a party to the proceedings referred to in that provision.

Cases where company has ceased to exist

17 (1) Where a joint liability notice is given to an individual at a time when the company to which the notice relates has ceased to exist, a reference in this Schedule to the individual being jointly and severally liable with the company for an amount is to be read as—

(a) a reference to the individual being solely liable for that amount (where no other individual is given a joint liability notice in respect of it), or

(b) a reference to the individual being jointly and severally liable for that amount with each other individual who is given a joint liability notice in respect of it.

(2) The tax liability at a particular time of a company which no longer exists at that time is treated for the purposes of this Schedule as being whatever it was immediately before the company ceased to exist.

Application to limited liability partnerships

18 (1) This paragraph has effect for the purposes of this Schedule as it applies in relation to a limited liability partnership.

(2) A reference to a director or shadow director of a company, or a participator in it, is to be read as a reference to a member or shadow member of the limited liability partnership.

(3) A reference in paragraph 8 to the Insolvency Act 1986 or the Insolvency (Northern Ireland) Order 1989 is to that Act or Order as applied or incorporated by regulations under section 14 of the Limited Liability Partnerships Act 2000.

(4) A reference in paragraph 8 to the Companies Act 2006 is to that Act as applied or incorporated by regulations under section 15 of the Limited Liability Partnerships Act 2000.

Interpretation

19 In this Schedule—

"authorised HMRC officer" means an officer of Revenue and Customs who is, or is a member of a class of officers who are, authorised by the Commissioners for Her Majesty's Revenue and Customs for the purpose of this Schedule;

"company" has the meaning given by paragraph 1(3);

"contract settlement" means an agreement in connection with a person's liability to make a payment to HMRC under or by virtue of an enactment;

"creditors' voluntary winding up" has the meaning given by—

(a) section 90 of the Insolvency Act 1986 ("the 1986 Act") (in relation to England and Wales and Scotland), or

(b) Article 76 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)) ("the 1989 Order") (in relation to Northern Ireland);

"director" has the meaning given by section 250 of the Companies Act 2006;

"joint liability notice" has the meaning given by paragraph 1(2);

"HMRC" means Her Majesty's Revenue and Customs;

"insolvency procedure" has the meaning given by paragraph 8;

"limited liability partnership" means a body incorporated under the Limited Liability Partnerships Act 2000;

"member", in relation to a limited liability partnership, has the same meaning as in the Limited Liability Partnerships Act 2000 (see section 4 of that Act);

"members' voluntary winding up" has the meaning given by—

(a) section 90 of the 1986 Act (in relation to England and Wales and Scotland), or

(b) Article 76 of the 1989 Order (in relation to Northern Ireland);

"notice" means notice in writing;

"notify" means notify in writing;

"the official rate", in relation to interest, means the rate payable under section 189 of the 1986 Act or (as the case may be) Article 160 of the 1989 Order;

"participator" has the meaning given by section 454 of CTA 2010;

"relevant conditions" has the meaning given by paragraph 10(2);

"shadow director" has the meaning given by section 251 of the Companies Act 2006;

"shadow member", in relation to a limited liability partnership, means a person in accordance with whose directions or instructions the members of the partnership are accustomed to act (except that a person is not treated as a shadow member by reason only that the members of the partnership act on advice given by the person in a professional capacity);

"tax-avoidance arrangements" has the meaning given by paragraph 6;

"tax-evasive conduct" has the meaning given by paragraph 7;

"tax liability", in relation to a company, means any amount payable to the Commissioners for Her Majesty's Revenue and Customs by the company under or by virtue of an enactment or under a contract settlement;

"unsecured creditor" has the meaning given by—

(a) section 248 of the 1986 Act (in relation to England and Wales and Scotland);

(b) Article 5(1) of the 1989 Order (in relation to Northern Ireland).

SCHEDULE 14

Section 101

AMENDMENTS RELATING TO THE OPERATION OF THE GAAR

Introduction

1 Part 5 of FA 2013 (the general anti-abuse rule) is amended as follows.

Protecting adjustments under the GAAR before time limits expire

2 In section 209 (counteracting the tax advantage), for subsection (6) substitute—

"(6) But—

(a) the effect of adjustments made by an officer of Revenue and Customs by virtue of this section is suspended until the procedural requirements of Schedule 43, 43A or 43B have been complied with, and

(b) the power to make adjustments by virtue of this section is subject to any time limit imposed by or under any enactment other than this Part.

The provision made by this subsection needs to be read with sections 209AA to 209AC and has no effect on adjustments so far as made otherwise than by virtue of this section."

3 After section 209 insert—

"**209AA Protective GAAR notices**

(1) An officer of Revenue and Customs may give a written notice (a "protective GAAR notice") to a person stating that the officer considers—
   (a) that a tax advantage might have arisen to the person from tax arrangements that are abusive, and
   (b) that, on the assumption that the advantage does arise from tax arrangements that are abusive, it ought to be counteracted under section 209.

(2) The protective GAAR notice must be given within the ordinary assessing time limit applicable to the proposed adjustments.

(3) But if—
   (a) a tax enquiry is in progress into a return made by the person, and
   (b) the return relates to the tax in respect of which the specified adjustments under the protective GAAR notice are made,

   the protective GAAR notice must instead be given no later than the time when the enquiry is completed.

(4) The protective GAAR notice must—
   (a) specify the arrangements and the tax advantage, and
   (b) specify the adjustments that, on the assumption that the advantage does arise from tax arrangements that are abusive, the officer proposes ought to be made.

(5) The adjustments specified in the protective GAAR notice have effect as if they are made by virtue of section 209.

(6) Notice of appeal may be given against the adjustments specified in the protective GAAR notice (whether or not the adjustments are also made otherwise than by virtue of section 209).

(7) Any appeal against the specified adjustments (whether made by virtue of section 209 or otherwise) is, as a result of this subsection, stayed—
   (a) for a period of 12 months beginning with the day on which the protective GAAR notice is given, or
   (b) if a final GAAR counteraction notice is given before the end of that period, for a period ending with the day on which the final GAAR counteraction notice is given.

(8) If, in the case of the specified adjustments (whether made by virtue of section 209 or otherwise)—
   (a) notice of appeal is not given or notice of appeal is given but the appeal is subsequently withdrawn or determined by agreement, and
   (b) no final GAAR counteraction notice is given,

   the protective GAAR notice has effect for all purposes (other than the purposes of section 212A) as if it had been given as a final GAAR counteraction notice (and, accordingly, as if the GAAR procedural requirements had been complied with).

(9) In any case not falling within subsection (8)—

(a) the specified adjustments have no effect (so far as they are made by virtue of section 209) unless they (or lesser adjustments) are subsequently specified in a final GAAR counteraction notice, but

(b) the giving of the protective GAAR notice is treated as meeting the requirements of section 209(6)(b) in the case of that final GAAR counteraction notice."

4 After section 209AA (as inserted by paragraph 3) insert—

"**209AB Adjustments under section 209: notices under Schedule 43 or 43A**

(1) This section applies in the case of any particular adjustments in respect of a particular period or matter ("the adjustments concerned") if—

(a) a person is given a notice under paragraph 3 of Schedule 43 or a pooling notice or notice of binding under Schedule 43A ("the Schedule 43 or 43A notice") that specifies the adjustments concerned (whether or not other adjustments are specified),

(b) the Schedule 43 or 43A notice is given within the relevant time limit applicable to the adjustments concerned, and

(c) the adjustments concerned have not been specified in a provisional counteraction notice under section 209A, or a protective GAAR notice under section 209AA, given before the time at which the Schedule 43 or 43A notice is given.

(2) The Schedule 43 or 43A notice is given within the relevant time limit if—

(a) it is given within the ordinary assessing time limit applicable to the adjustments concerned, or

(b) if a tax enquiry is in progress into a return made by the person and the particular adjustments concerned relate to the matters contained in the return, it is given no later than the time when the enquiry is completed.

(3) The adjustments concerned have effect as if they are made by virtue of section 209.

(4) If, in the case of the specified adjustments (whether made by virtue of section 209 or otherwise)—

(a) notice of appeal is not given or notice of appeal is given but the appeal is subsequently withdrawn or determined by agreement, and

(b) no final GAAR counteraction notice is given,

the Schedule 43 or 43A notice has effect for all purposes (other than the purposes of section 212A) as if it had been given as a final GAAR counteraction notice (and, accordingly, as if the GAAR procedural requirements had been complied with).

(5) In any case not falling within subsection (4)—

(a) the adjustments concerned have no effect (so far as they are made by virtue of section 209) unless they (or lesser adjustments) are subsequently specified in a final GAAR counteraction notice, but

(b) the giving of the Schedule 43 or 43A notice is treated as meeting the requirements of section 209(6)(b) in the case of that final GAAR counteraction notice."

5 After section 209AB (as inserted by paragraph 4) insert—

"**209AC Sections 209AA and 209AB: definitions**

(1) In sections 209AA and 209AB—

"final GAAR counteraction notice" means a notice given under—

(a) paragraph 12 of Schedule 43,

(b) paragraph 8 or 9 of Schedule 43A, or

(c) paragraph 8 of Schedule 43B,

"GAAR procedural requirements" means the procedural requirements of Schedule 43, 43A or 43B,

"lesser adjustments" means adjustments specified in the final GAAR counteraction notice which assume a smaller tax advantage than was assumed in the protective GAAR notice or (as the case may be) the Schedule 43 or 43A notice, and

"ordinary assessing time limit", in relation to any adjustments, means the time limit imposed by or under any enactment other than this Part for the making of the adjustments.

(2) Expressions which are used in section 202 of FA 2014 ("tax enquiry", and its being "in progress", and "return") have the same meaning in sections 209AA and 209AB as they have in that section (and references to completing a tax enquiry are to be read accordingly)."

6 Omit sections 209A to 209F (provisional counteraction notices).

7 In section 214(1) (interpretation of Part 5 of FA 2013), omit—

(a) the definition of "notified adjustments", and

(b) the definition of "provisional counteraction notice".

Minor amendments

8 In paragraph 11 of Schedule 43A (meaning of "equivalent arrangements"), omit "For the purposes of paragraph 1,".

9 In paragraph 5 of Schedule 43C (penalty under section 212A), for sub-paragraphs (5) and (6) substitute—

"(5) An assessment of a penalty under this paragraph must be made before the end of the period of 12 months beginning with the date (or the latest of the dates) on which the counteraction mentioned in section 212A(1)(d) becomes final (within the meaning of section 210(8))."

Commencement

10 The amendment made by paragraph 2 has effect in relation to adjustments made by an officer of Revenue and Customs by virtue of section 209 of FA 2013 on or after the commencement date.

11 The amendment made by paragraph 3 has effect in relation to notices given under section 209AA of FA 2013 on or after the commencement date (whenever the arrangements are entered into) but no notice may be given under that section in relation to any adjustments if a provisional counteraction notice has been given under section 209A of that Act before that date in respect of those adjustments.

12 The amendment made by paragraph 4 has effect in relation to notices given under Schedule 43 or 43A to FA 2013 on or after the commencement date (whenever the arrangements are entered into).

13 The amendment made by paragraph 6 does not affect the operation of sections 209A to 209F of FA 2013 in relation to provisional counteraction notices given under section 209A of that Act before the commencement date.

14 The amendment made by paragraph 9 has effect in relation to cases where a person becomes liable to a penalty under section 212A of FA 2013 on or after the commencement date.

15 In paragraphs 10 to 14 "the commencement date" means the date on which this Act is passed.

SCHEDULE 15

Section 102

TAX RELIEF FOR SCHEME PAYMENTS ETC

Introductory

1 (1) This Schedule provides for the following in respect of qualifying payments—
  (a) an exemption from income tax, and
  (b) an exemption from capital gains tax.

(2) This Schedule also provides for a relief from inheritance tax in respect of qualifying payments (but see paragraph 5(4), which contains an excepted case).

Qualifying payments

2 (1) In this Schedule "qualifying payment" means a payment within any of sub-paragraphs (2) to (5).

(2) A payment is within this sub-paragraph if it is a payment under the Windrush Compensation Scheme.

(3) A payment is within this sub-paragraph if—
  (a) it is made otherwise than under the Windrush Compensation Scheme,
  (b) it is made to, or in respect of, a person who made a claim under that Scheme (which the person was eligible to make),
  (c) it is made in connection with the same circumstances as gave rise to that person's eligibility to make that claim, and
  (d) it is made by or on behalf of—
    (i) the government of the United Kingdom,
    (ii) the government of a part of the United Kingdom, or
    (iii) a local or other public authority in the United Kingdom.

(4) A payment is within this sub-paragraph if it is a payment under the Troubles Permanent Disablement Payment Scheme established by the Victims' Payments Regulations 2020 (S.I. 2020/103) (as that scheme is amended from time to time).

(5) A payment is within this sub-paragraph if—

(a) it is a compensation payment of a description specified in regulations made by the Treasury by statutory instrument, and

(b) it is a payment made by or on behalf of—

(i) the government of the United Kingdom,

(ii) the government of a part of the United Kingdom,

(iii) the government of any other country or territory,

(iv) a local or other public authority in the United Kingdom, or

(v) a local or other public authority of a territory outside the United Kingdom.

(6) Regulations under sub-paragraph (5) may provide that a compensation payment of a description specified in the regulations is a qualifying payment only for the purposes of particular provisions of this Schedule.

(7) A statutory instrument containing regulations under sub-paragraph (5) is subject to annulment in pursuance of a resolution of the House of Commons.

(8) In this paragraph "the Windrush Compensation Scheme" means the scheme published by the Home Office on 3 April 2019 which provides compensation for certain categories of persons in recognition of difficulties arising out of an inability to demonstrate lawful immigration status (as that scheme is amended from time to time).

Exemption from income tax

3 (1) No liability to income tax arises in respect of a qualifying payment.

(2) A qualifying payment is to be ignored for all other income tax purposes.

(3) This paragraph has effect in relation to qualifying payments within paragraph 2(2) or (3) that are received on or after 3 April 2019.

(4) This paragraph has effect in relation to qualifying payments within paragraph 2(4) that are received on or after 29 May 2020.

(5) This paragraph has effect in relation to qualifying payments within paragraph 2(5) that are received on or after such date as is specified in the regulations concerned (which may be a date before the regulations are made).

Exemptions from capital gains tax

4 (1) A gain accruing on a disposal is not a chargeable gain if it accrues on—

(a) a disposal arising as a result of the forfeiture or surrender of rights, or as a result of refraining from exercising rights, in return for a qualifying payment,

(b) a disposal of the right to receive the whole or any part of a qualifying payment, or

(c) a disposal of an interest in any such right.

(2) In sub-paragraph (1)(c) "interest", in relation to a right, means an interest as a co-owner of the right (whether it is owned jointly or in common and whether or not the interests of the co-owners are equal).

(3) This paragraph has effect—

(a) in a case where the qualifying payment concerned is within paragraph 2(2) or (3), in relation to disposals made on or after 3 April 2019,

(b) in a case where the qualifying payment concerned is within paragraph 2(4), in relation to disposals made on or after 29 May 2020, and

(c) in a case where the qualifying payment concerned is within paragraph 2(5), in relation to disposals made on or after such date as is specified in the regulations concerned (which may be a date before the regulations are made).

Relief from inheritance tax

5 (1) This paragraph applies where a qualifying payment is at any time received by a person or the personal representatives of a person (but see sub-paragraph (4)).

(2) The inheritance tax chargeable on the value transferred by the transfer made on the person's death is to be reduced by an amount equal to—

(a) the relevant percentage of the amount of the payment, or

(b) if lower, the amount of inheritance tax that would, apart from this paragraph, be chargeable on the value transferred.

(3) The "relevant percentage" means the percentage in the last row of the third column of the Table in Schedule 1 to IHTA 1984.

(4) This paragraph does not apply in a case where—

(a) the qualifying payment is within paragraph 2(3),

(b) the payment is made after the death of the person mentioned in paragraph (b) of paragraph 2(3), and

(c) the payment is made otherwise than to the personal representatives of that person.

(5) This paragraph has effect, in a case where the qualifying payment is within paragraph 2(2) or (3), in relation to deaths occurring on or after 3 April 2019.

(6) This paragraph has effect, in a case where the qualifying payment is within paragraph 2(4), in relation to deaths occurring on or after 29 May 2020.

(7) This paragraph has effect, in a case where the qualifying payment is within paragraph 2(5), in relation to deaths occurring on or after such date as is specified in the regulations concerned (which may be a date before the regulations are made).

SCHEDULE 16

Section 106

TAXATION OF CORONAVIRUS SUPPORT PAYMENTS

Accounting for coronavirus support payments referable to a business

1 (1) This paragraph applies if a person carrying on, or who carried on, a business (whether alone or in partnership) receives a coronavirus support payment that is referable to the business.

(2) So much of the coronavirus support payment as is referable to the business is a receipt of a revenue nature for income tax or corporation tax purposes and is to be brought into account in calculating the profits of that business—

(a) under the applicable provisions of the Income Tax Acts, or

(b) under the applicable provisions of the Corporation Tax Acts.

(3) Subject to paragraph 2(5), sub-paragraph (2) does not apply to an amount of a coronavirus support payment if—

(a) the business to which the amount is referable is no longer carried on by the recipient of the amount, and

(b) the amount is not referable to activities of the business undertaken at a time when it was being carried on by the recipient of the amount.

(4) If an amount of the coronavirus support payment is referable to more than one business or business activity, the amount is to be allocated between those businesses or activities on a just and reasonable basis.

(5) Paragraph 3 contains provision about when, in certain cases, an amount of a coronavirus support payment is, or is not, referable to a business for the purposes of this paragraph and paragraph 2.

(6) In this Schedule "business" includes—

(a) a trade, profession or vocation;

(b) a UK property business or an overseas property business;

(c) a business consisting wholly or partly of making investments.

Amounts not referable to activities of a business which is being carried on

2 (1) This paragraph applies if a person who carried on a business (whether alone or in partnership) receives a coronavirus support payment that—

(a) is referable to the business, and

(b) is not wholly referable to activities of the business undertaken while the business was being carried on by the recipient of the payment.

(2) So much of the coronavirus support payment as is referable to the business but which is not referable to activities of the business undertaken while the business was being carried on by the recipient of the payment is to be treated as follows.

(3) An amount referable to a trade, profession or vocation is to be treated as a post-cessation receipt for the purposes of Chapter 18 of Part 2 of ITTOIA 2005 or Chapter 15 of Part 3 of CTA 2009 (trading income: post-cessation receipts), and—

(a) in the application of Chapter 18 of Part 2 of ITTOIA 2005 to that amount, section 243 (extent of charge to tax) is omitted, and

(b) in the application of Chapter 15 of Part 3 of CTA 2009 to that amount, section 189 (extent of charge to tax) is omitted.

(4) An amount referable to a UK property business or an overseas property business is to be treated (in either case) as a post-cessation receipt from a UK property business for the purposes of Chapter 10 of Part 3 of ITTOIA 2005 or Chapter 9 of Part 4 of CTA 2009 (property income: post- cessation receipts), and—

(a) in the application of Chapter 10 of Part 3 of ITTOIA 2005 to that amount, section 350 (extent of charge to tax) is omitted, and

(b) in the application of Chapter 9 of Part 4 of CTA 2009 to that amount, section 281 (extent of charge to tax) is omitted.

(5) In any other case, for the purposes of paragraph 1(3)—

(a) the recipient of the amount is to be treated as if carrying on the business to which the amount is referable at the time of the receipt of the amount, and

(b) the amount is to be treated as if it were referable to activities undertaken by the business at that time.

(6) Where the recipient of the amount has incurred expenses that—

(a) are referable to the amount, and

(b) would be deductible in calculating the profits of the business if it were being carried on at the time of receipt of the amount,

the amount brought into account under paragraph 1(2) by virtue of sub-paragraph (5) is to be reduced by the amount of those expenses.

(7) But sub-paragraph (6) does not apply to expenses of a person that arise directly or indirectly from the person ceasing to carry on business.

Amounts referable to businesses in certain cases

3 (1) An amount of a coronavirus support payment made under an employment-related scheme—

(a) is referable to the business of the person entitled to the payment as an employer (even if the person is not for other purposes the employer of the employees to whom the payment relates), and

(b) is not referable to any other business (and no deduction for any expenses in respect of the same employment costs which are the subject of the payment is allowed in calculating the profits of any other business or in calculating the liability of any other person to tax charged under section 242 or 349 of ITTOIA 2005 or section 188 or 280 of CTA 2009 (post-cessation receipts)).

(2) A coronavirus support payment made under the self-employment income support scheme is referable to the business of the individual to whom the payment relates.

(3) Where an amount of a coronavirus support payment made under the self-employment income support scheme is brought into account under paragraph 1(2), the whole of the amount is to be treated as a receipt of a revenue nature of the tax year 2020-21 (irrespective of its treatment for accounting purposes).

(4) But sub-paragraph (3) does not apply to an amount of a coronavirus support payment made under the self-employment income support scheme in respect of a partner of a firm where the amount is distributed amongst the partners (rather than being retained by the partner).

(5) An amount of a coronavirus support payment made under the self-employment income support scheme in respect of a partner of a firm that is retained by the partner (rather than being distributed amongst the partners) is not to be treated as a receipt of the firm.

(6) Accordingly—

(a) the receipt is not to be included in the calculation of the firm's profits for the purposes of determining the share of profits or losses for each partner of the firm (see sections 849 to 850E of ITTOIA 2005 and sections 1259 to 1265 of CTA 2009), and

(b) the receipt is then to be added to the partner's share.

Exemptions, reliefs and deductions

4 (1) An amount of a coronavirus support payment that relates only to mutual activities of a business that carries on a mutual trade is to be treated as if it were income arising from those activities (and accordingly the amount is not taxable).

(2) A coronavirus support payment is to be ignored when carrying out the calculation—

(a) in section 528(1) of ITA 2007 (incoming resources limit for charitable exemptions);

(b) in section 482(1) of CTA 2010 (incoming resources limit for charitable companies);

(c) in section 661CA(1) of CTA 2010 (income condition for community amateur sports clubs).

(3) A coronavirus support payment made under an employment-related scheme is to be ignored when carrying out the calculation—

(a) in section 662(2) of CTA 2010 (exemption from corporation tax for UK trading income of community amateur sports clubs);

(b) in section 663(2) of that Act (exemption from corporation tax for UK property income of community amateur sports clubs).

(4) No relief under Chapter 1 of Part 6A of ITTOIA 2005 (trading allowance) is given to an individual on an amount of a coronavirus support payment made under the self-employment income support scheme brought into account under paragraph 1(2) as profits of that tax year.

(5) For the purposes of that Part, such an amount is to be ignored when calculating the individual's "relevant income" for that tax year under Chapter 1 of that Part.

(6) Neither section 57 of ITTOIA 2005 nor section 61 of CTA 2009 (deductions for pre-trading expenses) (including as they apply by virtue of sections 272 and 272ZA of ITTOIA 2005 and section 210 of CTA 2009) apply to employment costs where an amount of a coronavirus support payment made under an employment-related scheme relates to those costs.

Charge where employment costs deductible by another

5 (1) Income tax is charged on an amount of a coronavirus support payment made under an employment-related scheme if conditions A and B are met.

(2) Condition A is that the amount is neither brought into account under paragraph 1(2) in calculating the profits of a business carried on by the person entitled to the payment as an employer nor treated, by virtue of paragraph 2(3) or (4), as a post-cessation receipt arising from the carrying on of such a business.

(3) Condition B is that expenses incurred by another person in respect of the same employment costs which are the subject of the coronavirus support payment and to which the amount relates are deductible—

(a) in calculating the profits of a business carried on by that other person (for income or corporation tax purposes), or

(b) in calculating the liability of that other person to tax charged under section 242 or 349 of ITTOIA 2005 or section 188 or 280 of CTA 2009 (post-cessation receipts).

(4) Tax is charged under sub-paragraph (1) on the whole of the amount to which that sub-paragraph applies.

(5) The person liable for tax charged under sub-paragraph (1) is the person entitled to the coronavirus support payment as an employer.

(6) Section 3(1) of CTA 2009 (exclusion of charge to income tax) does not apply to an amount of a coronavirus support payment that is charged under this paragraph.

Charge where no business carried on

6 (1) Tax is charged on an amount of a coronavirus support payment, other than a payment made under an employment-related scheme or the self-employment income support scheme, if—

(a) the amount is neither brought into account under paragraph 1(2) in calculating the profits of a business nor treated as a post-cessation receipt by virtue of paragraph 2(3) or (4), and

(b) at the time the coronavirus support payment was received, the recipient did not carry on a business whose profits are charged to tax and to which the payment could be referable.

(2) In this paragraph "tax" means—

(a) corporation tax, in the case of a company that (apart from this paragraph) is chargeable to corporation tax, or to any amount chargeable as if it was corporation tax, or

(b) income tax, in any other case.

(3) Tax is charged under sub-paragraph (1) on the whole of the amount to which that sub-paragraph applies.

(4) The person liable for tax charged under sub-paragraph (1) is the recipient of that amount.

(5) Where income tax is charged under sub-paragraph (1), sections 527 and 528 of ITA 2007 (exemption and income condition for charitable trusts) have effect as if sub-paragraph (1) were a provision to which section 1016 of that Act applies.

(6) Where corporation tax is charged under sub-paragraph (1), sections 481 and 482 of CTA 2010 (exemption and income condition for charitable companies) have effect as if sub-paragraph (1) were a provision to which section 1173 of that Act applies.

Modification of the Tax Acts

7 The Treasury may by regulations modify the application of any provision of the Tax Acts that affects (or that otherwise would affect) the treatment of—

(a) receipts brought into account under paragraph 1(2),

(b) amounts treated as post-cessation receipts under paragraph 2(3) or (4), or

(c) amounts charged under paragraph 5(1) or 6(1).

Charge if person not entitled to coronavirus support payment

8 (1) A recipient of an amount of a coronavirus support payment is liable to income tax under this paragraph if the recipient is not entitled to the amount in accordance with the scheme under which the payment was made.

(2) But sub-paragraph (1) does not apply to an amount of a coronavirus support payment made under a coronavirus business support grant scheme or the coronavirus statutory sick pay rebate scheme.

(3) For the purposes of this Schedule, references to a person not being entitled to an amount include, in the case of an amount of a coronavirus support payment made under the coronavirus job retention scheme, a case where the person ceases to be entitled to retain the amount after it was received—

(a) because of a change in circumstances, or

(b) because the person has not, within a reasonable period, used the amount to pay the costs which it was intended to reimburse.

(4) Income tax becomes chargeable under this paragraph—

(a) in a case where the person was entitled to an amount of a coronavirus support payment paid under the coronavirus job retention scheme but subsequently ceases to be entitled to retain it, at the time the person ceases to be entitled to retain the amount, or

(b) in any other case, at the time the coronavirus support payment is received.

(5) The amount of income tax chargeable under this paragraph is the amount equal to so much of the coronavirus support payment—

(a) as the recipient is not entitled to, and

(b) as has not been repaid to the person who made the coronavirus support payment.

(6) Where income tax which is chargeable under this paragraph is the subject of an assessment (whether under paragraph 9 or otherwise)—

(a) paragraphs 1 to 6 do not apply to the amount of the coronavirus support payment that is the subject of the assessment,

(b) that amount is not, for the purposes of Step 1 of the calculation in section 23 of ITA 2007 (calculation of income tax liability), to be treated as an amount of income on which the taxpayer is charged to income tax (but see paragraph 10 which makes further provision about the application of that section), and

(c) that amount is not to be treated as income of a company for the purposes of section 3 of CTA 2009 (and accordingly the exclusion of the application of the provisions of the Income Tax Acts to the income of certain companies does not apply to the receipt of an amount charged under this paragraph).

(7) No loss, deficit, expense or allowance may be taken into account in calculating, or may be deducted from or set off against, any amount of income tax charged under this paragraph.

(8) In calculating profits or losses for the purposes of corporation tax, no deduction is allowed in respect of the payment of income tax charged under this paragraph.

(9) For the purposes of this paragraph and paragraphs 9(4) and 14, a firm is not to be regarded as receiving an amount of a coronavirus support payment made under the self-employment income support scheme in respect of a partner of that firm that is retained by the partner (rather than being distributed amongst the partners).

Assessments of income tax chargeable under paragraph 8

9 (1) If an officer of Revenue and Customs considers (whether on the basis of information or documents obtained by virtue of the exercise of powers under Schedule 36 to FA 2008 or otherwise) that a person has received an amount of a coronavirus support payment to which the person is not entitled, the officer may make an assessment in the amount which ought in the officer's opinion to be charged under paragraph 8.

(2) An assessment under sub-paragraph (1) may be made at any time, but this is subject to sections 34 and 36 of TMA 1970.

(3) Parts 4 to 6 of TMA 1970 contain other provisions that are relevant to an assessment under sub-paragraph (1) (for example, section 31 makes provision about appeals and section 59B(6) makes provision about the time to pay income tax payable by virtue of an assessment).

(4) Where income tax is chargeable under paragraph 8 in relation to an amount of a coronavirus support payment received by a firm—

(a) an assessment (under sub-paragraph (1) or otherwise) may be made on any of the partners in respect of the total amount of tax that is chargeable,

(b) each of the partners is jointly and severally liable for the tax so assessed, and

(c) if the total amount of tax that is chargeable is included in a return under section 8 of TMA 1970 made by one of the partners, the other partners are not required to include the tax in returns made by them under that section.

Calculation of income tax liability

10 (1) Section 23 of ITA 2007 (calculation of income tax liability) applies in relation to a person liable to income tax charged under paragraph 8 as if that paragraph were included in the lists of provisions in subsections (1) and (2) of section 30 of that Act (amounts of tax added at step 7).

(2) For the purposes of paragraph 7(2) of Schedule 41 to FA 2008, a relevant obligation relating to income tax charged under paragraph 8 of this Schedule relates to a tax year if the income tax became chargeable in that tax year.

(3) But this paragraph does not apply to a company to which paragraph 11 (companies chargeable to corporation tax) applies.

Calculation of tax liability: companies chargeable to corporation tax

11 (1) This paragraph applies where a person liable to income tax charged under paragraph 8 is a company that is chargeable to corporation tax, or to any amount chargeable as if it was corporation tax, in relation to a period within which the income tax became chargeable.

(2) Part 5A of TMA 1970 (payment of tax) applies in relation to that company as if—

(a) the reference to "corporation tax" in subsection (1) of section 59D (general rule as to when corporation tax is due and payable) included income tax charged under paragraph 8 of this Schedule;

(b) an amount of income tax charged under paragraph 8 of this Schedule were an amount within subsection (6) of section 59F (arrangements for paying tax on behalf of group members);

(c) any reference in section 59G (managed payment plans) to "corporation tax" included income tax charged under paragraph 8 of this Schedule.

(3) Part 9 of that Act (interest on overdue tax) applies in relation to that company as if—

(a) the references in section 86 (interest on overdue income tax and capital gains tax) to "income tax" did not include income tax charged under paragraph 8 of this Schedule;

(b) in subsection (1) of section 87A (interest on overdue corporation tax) the reference to "corporation tax" included income tax charged under paragraph 8 of this Schedule.

(4) Schedule 18 to FA 1998 (company tax returns etc.) applies in relation to that company as if—

(a) any reference in that Schedule to "tax", other than the references in paragraph 2 of that Schedule (duty to give notice of chargeability), included income tax charged under paragraph 8 of this Schedule, and

(b) in paragraph 8(1) of that Schedule (calculation of tax payable), at the end there were inserted—

"Sixth step

Add any amount of income tax chargeable under paragraph 8 of Schedule 16 to the Finance Act 2020."

(5) But the modifications of that Schedule are to be ignored for the purposes of the Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175).

(6) Schedule 41 to FA 2008 applies in relation to that company as if —

(a) the references to "income tax" in paragraph 7(2) did not include income tax charged under paragraph 8 of this Schedule;

(b) the reference to "corporation tax" in paragraph 7(3) included income tax charged under paragraph 8 of this Schedule;

(but see paragraph 13(5) of this Schedule which has the effect that paragraph 7 of that Schedule does not apply in certain circumstances).

(7) For the purposes of paragraph 7(3) of Schedule 41 to FA 2008 (as modified by sub-paragraph (6)), a relevant obligation relating to income tax charged under paragraph 8 of this Schedule relates to an accounting period if the income tax became chargeable in that period.

Notification of liability under paragraph 8

12 (1) Section 7 of TMA 1970 (notice of liability to income tax and capital gains tax) applies in relation to income tax chargeable under paragraph 8 as provided for in sub-paragraphs (2) to (5).

(2) Subsection (1) has effect as if paragraph (b) (and the "and" before it) were omitted.

(3) Subsection (1) has effect as if the reference to "the notification period" were to the period commencing on the day on which the income tax became chargeable and ending on the later of—

(a) the 90th day after the day on which this Act is passed, or

(b) the 90th day after the day on which the income tax became chargeable.

(4) Subsection (3)(c) has effect as if after "child benefit charge" there were inserted "or to income tax under paragraph 8 of Schedule 16 to the Finance Act 2020".

(5) In relation to income tax chargeable under paragraph 8 in relation to an amount of a coronavirus support payment received by a firm, the duty in subsection (1) (as it has effect by virtue of sub-paragraphs (2) and (3)) is taken to have been complied with by each of the partners if one of the partners has complied with it.

(6) The reference in section 36(1A)(b) of TMA 1970 (20 year period for assessment in a case involving a loss of income tax) to a failure to comply with an obligation under section 7 of that Act is not to be taken as including a failure arising by virtue of the modification of that section by this paragraph, unless the failure is one to which paragraph 13 applies.

Penalty for failure to notify: knowledge of non-entitlement to payment

13 (1) This paragraph applies to a failure of a person to notify, under section 7 of TMA 1970 (as modified by paragraph 12), a liability to income tax chargeable under paragraph 8 where the person knew, at the time the income tax first became chargeable, that the person was not entitled to the amount of the coronavirus support payment in relation to which the tax is chargeable.

(2) Schedule 41 to FA 2008 (failure to notify) applies to a failure described in sub-paragraph (1) as follows.

(3) The failure is to be treated as deliberate and concealed.

(4) Accordingly, paragraph 6 of that Schedule has effect as if the references to a penalty for "a deliberate but not concealed failure" or for "any other case" were omitted.

(5) For the purposes of that Schedule (except in a case falling within paragraph 14 of this Schedule), the "potential lost revenue" is to be treated as being the amount of income tax which would have been assessable on the person at the end of the last day of the notification period (see paragraph 12(3)).

Penalties: partnerships

14 (1) This paragraph applies to a failure to notify, under section 7 of TMA 1970 (as modified by paragraph 12), a liability to income tax chargeable under paragraph 8 by a partner of a firm that received the amount of the coronavirus support payment in relation to which the tax is chargeable.

(2) For the purposes of paragraph 13(1) of this Schedule, each partner is taken to know anything that any of the other partners knows.

(3) Where a partner would be liable to a penalty under Schedule 41 to FA 2008 (whether in a case falling within paragraph 13 or otherwise), the partner is instead jointly and severally liable with the other partners to a single penalty under that Schedule for the failures by each of them to notify.

(4) In a case not falling within paragraph 13, if the failure of at least one of the partners—
  (a) was deliberate and concealed, the single penalty is to be treated as a penalty for a deliberate and concealed failure;
  (b) was deliberate but not concealed, the single penalty is to be treated as a penalty for a deliberate but not concealed failure.

(5) For the purposes of Schedule 41 to FA 2008, the "potential lost revenue" is to be treated as being the amount of income tax which would have been assessable on any one of the partners (see paragraph 9(4)(a))—
  (a) in a case falling within paragraph 13, at the end of the last day of the notification period, or
  (b) in any other case, at the end of 31 January following the tax year in which the amount of coronavirus support payment was received by the firm.

(6) Paragraph 22 of that Schedule (limited liability partnerships: members' liability) does not apply.

Liability of officers of insolvent companies

15 (1) This paragraph—
  (a) provides for an individual to be jointly and severally liable to the Commissioners for Her Majesty's Revenue and Customs for a liability of a company to income tax charged under paragraph 8, where a notice under sub-paragraph (2) is given to the individual, and
  (b) applies paragraphs 10 to 15 and 17 of Schedule 13 (joint liability notices: tax avoidance, tax evasion and repeated insolvency and non-payment) to such a notice.

(2) An officer of Revenue and Customs may give a notice under this sub-paragraph to an individual if it appears to the officer that conditions A to D are met.

(3) Condition A is that—
  (a) the company is subject to an insolvency procedure, or
  (b) there is a serious possibility of the company becoming subject to an insolvency procedure.

(4) Condition B is that the company is liable to income tax under paragraph 8.

(5) Condition C is that the individual was responsible for the management of the company at the time the income tax first became chargeable and the individual knew (at that time) that the company was not entitled to the amount of the coronavirus support payment in relation to which the tax is chargeable.

(6) Condition D is that there is a serious possibility that some or all of the income tax liability will not be paid.

(7) For the purposes of sub-paragraph (5) the individual is responsible for the management of a company if the individual—

(a) is a director or shadow director of the company, or

(b) is concerned (whether directly or indirectly) in, or takes part in, the management of the company.

(8) A notice under sub-paragraph (2) must—

(a) specify the company to which the notice relates;

(b) set out the reasons for which it appears to the officer that conditions A to D are met;

(c) specify the amount of the income tax liability;

(d) state the effect of the notice;

(e) offer the individual a review of the decision to give the notice and explain the effect of paragraph 11 of Schedule 13 (right of review);

(f) explain the effect of paragraph 13 of that Schedule (right of appeal).

(9) An individual who is given a notice under sub-paragraph (2) is jointly and severally liable with the company (and with any other individual who is given such a notice) to the amount of the income tax liability specified under sub-paragraph (8)(c).

For provision under which the amount so specified may be varied, see—

(a) paragraph 10 of Schedule 13 (modification etc),

(b) paragraphs 11 and 12 of that Schedule (review), and

(c) paragraphs 13 and 14 of that Schedule (appeal).

(10) Paragraphs 10 to 15 and 17 of Schedule 13 apply to a notice under sub-paragraph (2) as they apply to a joint liability notice (see paragraph 1(2) of that Schedule) as if—

(a) the references in those paragraphs to "relevant conditions" were to conditions A to D in this paragraph;

(b) sub-paragraphs (3) and (4) of paragraph 10 were omitted (and references to sub-paragraph (3) in that paragraph were omitted);

(c) in paragraph 10(6)(a), after "or (9)" there were inserted "or paragraph 15(8)(c) of Schedule 16";

(d) in paragraph 12(6)(b) after "5(9)" there were inserted "or paragraph 15(8)(c) of Schedule 16".

(11) Expressions used in this paragraph and in Schedule 13 have the same meaning in this paragraph as they have in that Schedule (subject to the modification made by sub-paragraph (10)(a)).