



Finance Act 2005

CHAPTER 7

FINANCE ACT 2005

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Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

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Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

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Status: Point in time view as at 07/04/2005.

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Status: Point in time view as at 07/04/2005.

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Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

Vulnerable person's actual income

- 1 The “vulnerable person's actual income” for the tax year means...

Trustees' specially taxed income

- 2 The “trustees' specially taxed income” for the tax year means...

Vulnerable person's deemed CGT taxable amount

- 3 (1) The “vulnerable person's deemed CGT taxable amount” for the...

Vulnerable person's notional section 77 gains

- 4 (1) The “vulnerable person's notional section 77 gains” for the...

Actual gains and actual losses

- 5 (1) “Actual gains” means any chargeable gains which accrue to...

Assumed gains and assumed losses

- 6 (1) “Assumed gains” means any chargeable gains, other than actual...

Relevant assumptions

- 7 (1) For the purposes of paragraphs 4 and 6 the...

SCHEDULE 2 — Alternative finance arrangements: further provisions

Interpretation of Schedule

- 1 In this Schedule, “relevant arrangements” means— (a) arrangements falling within...

Taxes Management Act 1970 (c. 9)

- 2 In sections 17 and 18 of TMA 1970 (interest paid...

Income and Corporation Taxes Act 1988 (c. 1)

- 3 Section 349 of ICTA (certain payments to be made subject...
4 In section 468L of ICTA (interest distributions), in subsection (9)(a),...
5 Section 477A of ICTA (building societies: regulations for deduction of...
6 Sections 480A to 482 of ICTA (relevant deposits: deduction of...
7 In section 582 of ICTA (funding bonds) references to interest...
8 Section 787 of ICTA (restriction of relief for payments of...

Finance Act 1996 (c. 8)

- 9 In paragraph 8(2)(a) of Schedule 10 to FA 1996 (loan...

Income Tax (Trading and Other Income) Act 2005 (c. 5)

- 10 In section 380 of ITTOIA 2005 (funding bonds), references to...

SCHEDULE 3 — Films: restrictions on relief for production and acquisition expenditure

Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

Part 1 — RESTRICTIONS ON CIRCUMSTANCES IN WHICH RELIEF MAY BE OBTAINED

Section 42 of the Finance (No.2) Act 1992 (c. 48)

- 1 (1) Section 42 of F(No.2)A 1992 (relief for production or...

Section 101 of the Finance Act 2002 (c. 23)

- 2 (1) Section 101 of FA 2002 (restriction of relief for...

Section 138 of the Income Tax (Trading and Other Income) Act 2005 (c. 5)

- 3 (1) For section 138 of ITTOIA 2005 (certified master versions:...

Section 139 of the Income Tax (Trading and Other Income) Act 2005 (c. 5)

- 4 (1) Section 139 of ITTOIA 2005 (certified master versions: production...

Section 140 of the Income Tax (Trading and Other Income) Act 2005 (c. 5)

- 5 (1) Section 140 of ITTOIA 2005 (certified master versions: acquisition...

Meaning of “disqualifying deduction”

- 6 (1) After section 140 of ITTOIA 2005 insert— Interpretation of...

Transitional provision for films in production

- 7 (1) This paragraph applies in relation to any claim for...
8 (1) This paragraph applies in relation to relief under section...

Part 2 — RESTRICTIONS ON AMOUNT OF RELIEF WHICH MAY BE OBTAINED

Section 42 of the Finance (No.2) Act 1992 (c. 48)

- 9 (1) Section 42 of F(No.2)A 1992 (relief for production or...

Section 48 of the Finance (No.2) Act 1997 (c. 58)

- 10 (1) In section 48 of F(No.2)A 1997 (which modifies section...

Section 138 of the Income Tax (Trading and Other Income) Act 2005 (c. 5)

- 11 (1) Section 138 of ITTOIA 2005 (certified master versions: production...

Section 138A of the Income Tax (Trading and Other Income) Act 2005 (c. 5)

- 12 (1) Section 138A of ITTOIA 2005 (certified master versions: acquisition...

Section 139 of the Income Tax (Trading and Other Income) Act 2005 (c. 5)

- 13 (1) In section 139 of ITTOIA 2005 (certified master versions:...

Section 140 of the Income Tax (Trading and Other Income) Act 2005 (c. 5)

- 14 (1) In section 140 of ITTOIA 2005 (certified master versions:...

Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

Section 141 of the Income Tax (Trading and Other Income) Act 2005 (c. 5)

15 (1) Section 141 of ITTOIA 2005 (“total production expenditure in...

Section 142 of the Income Tax (Trading and Other Income) Act 2005 (c. 5)

16 (1) In section 142 of ITTOIA 2005 (when expenditure is...

Part 3 — MINOR AND CONSEQUENTIAL AMENDMENTS

Income and Corporation Taxes Act 1988 (c. 1)

17 Section 118ZM of ICTA (partnerships exploiting films: supplementary),
as that...

Finance (No.2) Act 1992 (c. 48)

18 (1) Section 40A of F(No.2)A 1992 (revenue nature of expenditure...

19 (1) Section 40B of F(No.2)A 1992 (allocation of expenditure to...

20 In section 40C of F(No.2)A 1992 (cases where section 40B...

21 (1) Section 40D of F(No.2)A 1992 (election for sections 40A...

22 (1) Section 41 of F(No.2)A 1992 (relief for preliminary expenditure)...

23 (1) Section 42 of F(No.2)A 1992 (relief for production or...

24 (1) Section 43 of F(No.2)A 1992 (interpretation of provisions relating...

Finance Act 1997 (c. 16)

25 In Schedule 12 to FA 1997 (leasing arrangements: finance leases...

Finance (No. 2) Act 1997 (c. 58)

26 (1) Section 48 of F(No. 2)A 1997 (which modifies section...

Capital Allowances Act 2001 (c. 2)

27 (1) Paragraph 116 of Schedule 3 to CAA 2001 (transitional...

Finance Act 2002 (c. 23)

28 Section 99 of FA 2002 (restriction of relief to films...

29 In Schedule 29 to that Act (gains and losses of...

Income Tax (Trading and Other Income) Act 2005 (c. 5)

30 (1) ITTOIA 2005 is amended as follows.

Commencement of Part 3 amendments

31 (1) The amendment made by paragraph 21(3), so far as...

Part 4 — INTERPRETATION

Meaning of “pre-announcement expenditure”

32 (1) For the purposes of this Schedule “pre-announcement expenditure”
means...

Meaning of film “in production”

33 (1) For the purposes of this Schedule a film was...

Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

Meaning of “film” and “original master version”

34 For the purposes of this Schedule— “film” is to be...

SCHEDULE 4 — Accounting practice and related matters
Part 1 — BAD DEBTS AND RELATED MATTERS

ICTA

- 1 In section 74 of ICTA (general rules as to deductions...
2 Before section 89 of ICTA insert— Restriction of deductions in...
3 (1) Section 89 of ICTA (debts proving to be irrecoverable...
4 (1) Section 94 of ICTA (debts deducted and subsequently released)...
5 (1) Section 103 of ICTA (receipts after discontinuance) is amended...
6
7 In section 799 of ICTA (double taxation relief: computation of...
8 In section 834(1) of ICTA (interpretation of the Corporation Tax...

FA 1996

- 9 (1) Section 100 of FA 1996 (interest, and exchange gains...
10 (1) In Schedule 9 to FA 1996 (loan relationships: special...
11 (1) Paragraph 5 of Schedule 9 to FA 1996 (release...
12 After paragraph 5 of Schedule 9 to FA 1996 insert—...
13 (1) Paragraph 6 of Schedule 9 to FA 1996 (impairment...
14 Omit paragraph 6B of Schedule 9 to FA 1996 (impairment...
15 In paragraph 6C of Schedule 9 to FA 1996—
16 After paragraph 6C of Schedule 9 to FA 1996 insert—...
17 (1) The following provisions of Schedule 9 to FA 1996...

FA 1997

- 18 (1) Schedule 12 to FA 1997 (leasing arrangements: finance leases...

Schedule 26 to FA 2002

- 19 In paragraph 22(5) of Schedule 26 to FA 2002 (derivative...

Schedule 29 to FA 2002

- 20 (1) In Schedule 29 to FA 2002 (gains and losses...
Part 2 — OTHER PROVISIONS CONNECTED WITH ACCOUNTING PRACTICE

ICTA

- 21 In section 43A of ICTA (rent factoring: meaning of “finance...
22 In section 75A(10) of ICTA (accounting period to which expenses...
23 In section 501A of ICTA (supplementary charge in respect of...
24 (1) Section 747A of ICTA (special rule requiring chargeable profits...
25 Section 836A of ICTA (meaning of generally accepted accounting practice)...

FA 1996

- 26 (1) Section 85B of FA 1996 (loan relationships: amounts recognised...
27 (1) Section 94 of FA 1996 (loan relationships: treatment of...
28 (1) Section 94A of FA 1996 (loan relationships with embedded...

Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

- 29 In section 103 of FA 1996 (interpretation), after subsection (1A)...
- 30 In Schedule 9 to FA 1996 (loan relationships: special computational...
- 31 (1) Paragraph 19A of Schedule 9 to FA 1996 (loan...

FA 1997

- 32 In Schedule 12 to FA 1997 (leasing arrangements: finance leases...

CAA 2001

- 33 In section 219 of CAA 2001 (finance leases), in subsection...

Schedule 26 to FA 2002

- 34 (1) Paragraph 17B of Schedule 26 to FA 2002 (derivative...
- 35 After paragraph 25 of Schedule 26 to FA 2002 (debits...
- 36 In paragraphs 38(1) and (3) and 38A(1) and (3) of...
- 37 In paragraph 54 of Schedule 26 to FA 2002 (derivative...

Schedule 29 to FA 2002

- 38 (1) Paragraph 6 of Schedule 29 to FA 2002 (gains...
- 39 In paragraph 8(1) of Schedule 29 to FA 2002 for...
- 40 In paragraphs 9(1), 12(1), 14(1), 16(1), 17(1), 26(1)(a), 103(2) and...
- 41 In paragraph 13(1)(a) of Schedule 29 to FA 2002 for...
- 42 In paragraphs 27 and 28 of Schedule 29 to FA...
- 43 In paragraph 29 of Schedule 29 to FA 2002 (intangible...
- 44 In Part 7 of Schedule 29 to FA 2002 (intangible...
- 45 For paragraph 116A of Schedule 29 to FA 2002 (intangible...
- 46 (1) Paragraph 134 of Schedule 29 to FA 2002 (intangible...
- 47 In paragraph 143 of Schedule 29 to FA 2002 (intangible...

ITEPA 2003

- 48 In Schedule 5 to ITEPA 2003 (enterprise management incentives), in...

FA 2004

- 49 In section 50 of FA 2004 (generally accepted accounting practice),...
- 50 In sections 50(6), 51(6), 52(3) and 54(2) of FA 2004...
- 51 In Part 4 of Schedule 10 to FA 2004 (amendments...

Power to make certain regulations with limited retrospective effect

- 52 (1) This paragraph applies to regulations under any of the...

SCHEDULE 5 — Section 804ZA: prescribed schemes and arrangements
After Schedule 28AA to ICTA insert— SCHEDULE 28AB Section
804ZA:...

SCHEDULE 6 — Capital allowances: renovation of business premises in
disadvantaged areas

Part 1 — NEW PART 3A OF THE CAPITAL ALLOWANCES ACT 2001

- 1 After Part 3 of CAA 2001 insert— PART 3A BUSINESS...

Part 2 — CONSEQUENTIAL AMENDMENTS

- 2 In section 1(2) of CAA 2001 (capital allowances provided for...

Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

- 3 In section 2(3) of CAA 2001 (provisions about giving effect...
- 4 In section 3 of CAA 2001 (claims for capital allowances)...
- 5 In section 537(1) of CAA 2001 (general conditions for making...
- 6 In section 546 of CAA 2001 (interpretation of VAT provisions),...
- 7 In section 567(1) of CAA 2001 (Parts of Act for...
- 8 In section 570(1) of CAA 2001 (elections under section 569...
- 9 In section 570A(1) of CAA 2001 (avoidance affecting proceeds of...
- 10 In section 573(1) of CAA 2001 (transfers treated as sales),...
- 11 (1) Part 2 of Schedule 1 to CAA 2001 (list...

SCHEDULE 7 — Tonnage tax

Part 1 — AMENDMENTS OF SCHEDULE 22 TO FA 2000

Introduction

- 1 Schedule 22 to FA 2000 shall be amended as follows....

Period for which election is in force

- 2 (1) Paragraph 13 is amended as follows.

Withdrawal notices

- 3 After paragraph 15 (and before Part 3) insert— Withdrawal notices...

Qualifying ships

- 4 (1) Paragraph 19 is amended as follows.

Vessels excluded from being qualifying ships

- 5 (1) Paragraph 20 is amended as follows.

Qualifying dredgers and tugs

- 6 After paragraph 20 insert— Qualifying dredgers and tugs (1) This paragraph applies where a company operates a ship...

Effect of change of use

- 7 (1) Paragraph 22 is amended as follows.

Flagging: rule for ships other than dredgers and tugs

- 8 After paragraph 22 insert— Flagging: rule for ships other than...

Flagging: rules for dredgers and tugs

- 9 After paragraph 22C insert— Flagging: rule on first operation of...

Flagging: restrictions where dredger or tug ceases to be qualifying ship under paragraph 22E

- 10 After paragraph 22E insert— Flagging: restrictions where ship ceases to...

Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

Requirement to prove compliance with safety etc standards

- 11 After paragraph 43 insert— The requirement to prove compliance with...

The ring fence: capital allowances: general: introduction

- 12 (1) Paragraph 68 is amended as follows.

The ring fence: capital allowances: exit: plant and machinery

- 13 (1) Paragraph 85 is amended as follows.

The ring fence: capital allowances: ship leasing: sale and lease-back arrangements

- 14 (1) Paragraph 92 is amended as follows.

Meaning of “offshore activities”

- 15 (1) Paragraph 104 is amended as follows.

Vessels to which the special rules for offshore activities do not apply

- 16 Omit paragraph 105.

Index of defined expressions

- 17 (1) Paragraph 147 is amended as follows.

Part 2 — COMMENCEMENT AND TRANSITIONAL PROVISION

Commencement

- 18 (1) Subject to paragraphs 19 to 21, paragraphs 4 to...

Transitional provision: qualifying activities

- 19 (1) If a withdrawal notice is given on or before...

Transitional provision: flagging: order designating financial year 2005

- 20 In relation to the financial year 2005, Schedule 22 to...

Transitional provision: flagging

- 21 Where a company (whether or not a member of a...

SCHEDULE 8 — Stamp duty land tax: alternative property finance

Introduction

- 1 Part 4 of FA 2003 is amended in accordance with...

Alternative property finance: England and Wales and Northern Ireland

- 2 After section 71 insert— Alternative property finance: land sold to...

Alternative property finance: Scotland

- 3 (1) Section 72 (alternative property finance: land sold to financial...

Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

- 4 After section 72 insert— Alternative property finance in Scotland:
land...

Consequential amendments

- 5 (1) Section 73 (alternative property finance: land sold to individual...
6 In section 122 (index of defined expressions), in the entry...

Commencement

- 7 (1) Paragraphs 2 and 3, and paragraphs 5 and 6...

SCHEDULE 9 — Stamp duty land tax and stamp duty: removal of disadvantaged
areas relief for non-residential property

Stamp duty land tax

- 1 (1) Schedule 6 to FA 2003 (disadvantaged areas relief) is...

Stamp duty

- 2 (1) The Stamp Duty (Disadvantaged Areas) (Application of
Exemptions) Regulations...
3 The insertion by paragraph 2 of provisions into the Stamp...

Commencement and transitional provisions

- 4 (1) Subject to sub-paragraph (2), paragraph 1 applies in relation...
5 (1) Subject to sub-paragraph (2), paragraph 2 applies in relation...

SCHEDULE 10 — Pension schemes etc.

Introduction

- 1 Part 4 of FA 2004 (pension schemes etc.) is amended...

Deferred annuities

- 2 In section 153(8) (deferred annuity contract to be registered pension...

Orders for return of unauthorised payments

- 3 In section 153 (registration of pension schemes), after subsection (8)...
4 After section 266 insert— Relief from liability in respect of...

Unauthorised member payments

- 5 In section 161(5) (payment made to person who is connected...

Unauthorised payments: loans to person connected with member or sponsoring employer

- 6 (1) Section 162 (meaning of “loan”) is amended as follows....

Abatement of public service pensions

- 7 In section 165(3) (when a person becomes entitled to a...
8 (1) Schedule 32 (benefit crystallisation events: supplementary) is
amended as...

Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

- 9 In section 279(1) (definitions), before the definition of “the Board...
10 In the table in section 280(2) (index of defined expressions),...

Scheme pensions

- 11 (1) Paragraph 2 of Schedule 28 (scheme pensions) is amended...
12 In Schedule 28 (authorised pensions), after paragraph 2 insert— (1)
Where this paragraph applies in relation to a pension...

Annuities

- 13 (1) Paragraph 3 of Schedule 28 (lifetime annuity) is amended...
14 (1) Paragraph 6 of Schedule 28 (short-term annuity) is amended...
15 (1) Paragraph 17 of Schedule 28 (dependants' annuity) is amended...
16 (1) Paragraph 20 of Schedule 28 (dependants' short-term annuity) is...
17 In the table in section 280(2) (index of defined expressions),...

Unsecured pension funds and alternatively secured pension funds

- 18 (1) Paragraph 8 of Schedule 28 (member's unsecured pension fund)...
19 (1) Paragraph 10 of Schedule 28 (“unsecured pension years” etc.)...
20 (1) Paragraph 11 of Schedule 28 (member's alternatively secured
pension...
21 (1) Paragraph 22 of Schedule 28 (dependant's unsecured pension fund)...
22 (1) Paragraph 24 of Schedule 28 (“unsecured pension years” etc.)...
23 (1) Paragraph 25 of Schedule 28 (dependant's alternatively secured
pension...
24 In paragraph 3(8) of Schedule 29 (pension commencement lump sum:...
25 (1) Schedule 32 (benefit crystallisation events: supplementary) is
amended as...

Meaning of “dependant”

- 26 In paragraph 15 of Schedule 28 (meaning of “dependant”), after...

Dependants' scheme pensions

- 27 (1) Paragraph 16 of Schedule 28 (dependants' scheme pension) is...
28 In Schedule 28 (authorised pensions), after paragraph 16 insert— (1)
Paragraphs 16B and 16C apply where—

Lifetime annuities and dependants' annuities purchased together

- 29 (1) Paragraph 17 of Schedule 28 (dependants' annuity) is amended...
30 (1) Paragraph 3 of Schedule 29 (pension commencement lump sum:...
31 In the table in section 216(1) (benefit crystallisation events and...
32 In paragraph 4(1) of Schedule 32 (benefit crystallisation events 4:...
33 In the table in section 280(2) (index of defined expressions),...

Pension commencement lump sums

- 34 (1) Paragraph 1 of Schedule 29 (meaning of “pension commencement...
35 (1) Paragraph 3 of Schedule 29 (applicable amount limit) is...

Recognised transfers

- 36 In section 169 (recognised transfers), after subsection (1) insert—

Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

Assignment

- 37 (1) Section 172 (assignment of benefit to which member has...

Surrender and allocation of rights etc.

- 38 After section 172 insert— Surrender (1) Subsection (2) applies if a member of a registered...

Restriction of employers' relief in respect of contributions

- 39 After section 196 insert— Power to restrict relief (1) The Board of Inland Revenue may make regulations for...
40 After section 246 insert— Case where no relief for provision...

Lifetime allowance: reduction of rights in respect of tax paid

- 41 In section 215 (amount of lifetime allowance charge), omit—
42 In the table in section 216(1) (benefit crystallisation events and...
43 (1) Schedule 32 (benefit crystallisation events: supplementary) is amended as...

Lifetime allowance: minor amendment

- 44 In paragraph 10(b) of Schedule 32 (benefit crystallisation event 3:...

Lifetime allowance: pension credits

- 45 (1) Section 220 (lifetime allowance enhancement factor in case of...

Migrant member relief

- 46 In paragraph 4(c) of Schedule 33 (meaning of “relevant migrant...

Information

- 47 In section 251(4)(a) (persons to whom scheme administrators can be...

Electronic payment

- 48 After section 255 insert— Payment Electronic payment (1) The Board of Inland Revenue may give directions requiring...

Insurance company liable as scheme administrator

- 49 (1) After section 273 insert— Insurance company liable as scheme...

Power to split schemes

- 50 Before section 275 insert— Power to split schemes (1) The Board of Inland Revenue may make regulations for...

Power to modify rules of existing schemes

- 51 In paragraph 3(2) of Schedule 36 (power to modify rules...

Primary and enhanced protection: valuation of uncrystallised rights

- 52 (1) Schedule 36 (transitional provisions) is amended as follows.

Status: Point in time view as at 07/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005. (See end of Document for details)

Enhanced protection

53 (1) Schedule 36 (transitional provisions) is amended as follows.

Transitional provisions: persons who may take benefits before normal minimum pension age

54 (1) Schedule 36 (transitional provisions) is amended as follows.

Transitional provisions: block transfers

55 (1) Schedule 36 (transitional provisions) is amended as follows.

Transitional provisions: lump sums before normal minimum pension age

56 In Schedule 36 (transitional provisions), after paragraph 23 insert— (1)
Where— (a) paragraph 19 applies to a benefit crystallisation...

Transitional provisions: lump sums exceeding 25% of uncrystallised rights

57 In the substituted sub-paragraph (7) set out in paragraph 34(2)...

Transitional provisions: inheritance tax

58 (1) Schedule 36 (transitional provisions) is amended as follows.

Trivial commutation and winding-up lump sums

59 In section 636B(3) of ITEPA 2003 (trivial commutation and winding-up...

Application of PAYE to annuities etc.

60 In section 683(3) of ITEPA 2003 (PAYE pension income), after...

61 In Schedule 36 to FA 2004 (transitional provisions), omit—

62 In sections 348(1A) and 349(1A) of ICTA (deduction of tax),...

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63 Section 613(1) and (2) of ICTA (tax relief for contributions...

Commencement

64 (1) Subject as follows, the preceding provisions of this Schedule...

SCHEDULE 11 — Repeals

Part 1 — EXCISE DUTIES

Part 2 — INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Part 3 — STAMP TAXES

Part 4 — PENSIONS ETC

Status:

Point in time view as at 07/04/2005.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2005.