Finance Act 2014

2014 CHAPTER 26

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 1

CHARGE, RATES ETC

Income tax

1 Charge, rates, basic rate limit and personal allowance for 2014-15

(1) Income tax is charged for the tax year 2014-15.

(2) For that tax year—

(a) the basic rate is 20%,

(b) the higher rate is 40%, and

(c) the additional rate is 45%.

(3) For that tax year—

(a) the amount specified in section 10(5) of ITA 2007 (basic rate limit) is replaced with " £31,865 ", and

(b) the amount specified in section 35(1) of that Act (personal allowance for those born after 5 April 1948) is replaced with " £10,000 ".

(4) Accordingly for that tax year—

(a) section 21 of that Act (indexation of limits), so far as relating to the basic rate limit, does not apply, and

(b) section 57 of that Act (indexation of allowances), so far as relating to the amount specified in section 35(1) of that Act, does not apply.

2 Basic rate limit for 2015-16 and personal allowances from 2015

(1) For the tax year 2015-16—

(a) the amount specified in section 10(5) of ITA 2007 (basic rate limit) is replaced with " £31,785 ", and

(b) the amount specified in section 35(1) (personal allowance) is replaced with **[**F1"£10,600"**]**.

(2) Accordingly, for that tax year—

(a) section 21 of that Act (indexation of limits), so far as relating to the basic rate limit, does not apply, and

(b) section 57 (indexation of allowances), so far as relating to the amount specified in section 35(1), does not apply.

(3) In section 34(1)(a) of that Act (introduction), omit ", 36".

(4) In section 35 of that Act (personal allowance for those born after 5 April 1948)—

(a) in subsection (1)(a), for "1948" substitute " 1938 ", and

(b) in the heading, for "**1948**" substitute " **1938** ".

(5) Omit section 36 of that Act (personal allowance for those born after 5 April 1938 but before 6 April 1948).

(6) In section 45(4)(b) of that Act (marriages before 5 December 2005), omit "36(2) or".

(7) In section 46(4)(b) of that Act (marriages and civil partnerships on or after 5 December 2005), omit "36(2) or".

(8) In section 57 of that Act (indexation of allowances)—

(a) in subsection (1)(a), for "1948" substitute " 1938 ", F2...

[F3(aa) in subsection (1)(h), omit "36(2),", and**]**

(b) in subsection (4) omit "36(2),".

(9) The amendments made by subsections (3) to (8) have effect for the tax year 2015-16 and subsequent tax years.

Textual Amendments

F1 Sum in s. 2(1)(b) substituted (26.3.2015) by Finance Act 2015 (c. 11), **s. 3(2)**

F2 Word in s. 2(8)(a) omitted (with effect in accordance with s. 3(5) of the amending Act) by virtue of Finance Act 2015 (c. 11), **s. 3(3)**

F3 S. 2(8)(aa) inserted (with effect in accordance with s. 3(5) of the amending Act) by Finance Act 2015 (c. 11), **s. 3(3)**

3 The starting rate for savings and the savings rate limit

(1) In section 7 of ITA 2007 (the starting rate for savings) for "10%" substitute " 0% ".

(2) For the tax year 2015-16 the amount specified in section 12(3) of that Act (starting rate limit for savings) is replaced with " £5,000 ".

(3) Accordingly section 21 of that Act (indexation of limits), so far as relating to the starting rate limit for savings, does not apply for that tax year.

(4) In section 852 of that Act (power to make regulations disapplying duty to deduct sums representing income tax), in subsection (2)(a), after "made" insert " or is unlikely to be liable to pay any income tax on that person's savings income for that tax year ".

(5) The amendments made by subsections (1) and (4) have effect for the tax year 2015-16 and subsequent tax years.

4 Indexation of limits and allowances under ITA 2007

(1) ITA 2007 is amended as follows.

(2) In section 21 (indexation of the basic rate limit and starting rate limit for savings)—

(a) in each of subsections (1), (3) and (3A), for "retail prices index" substitute " consumer prices index ", and

(b) after subsection (5) insert—

"(6) In this section "consumer prices index" means the all items consumer prices index published by the Statistics Board."

(3) In section 57 (indexation of allowances)—

(a) in each of subsections (2), (3) and (4), for "retail prices index" substitute " consumer prices index ", and

(b) after subsection (6) insert—

"(7) In this section "consumer prices index" means the all items consumer prices index published by the Statistics Board."

(4) The amendments made by subsections (2) and (3) have effect for the tax year 2015-16 and subsequent tax years.

Corporation tax

5 Charge for financial year 2015

Corporation tax is charged for the financial year 2015.

6 Small profits rate and fractions for financial year 2014

(1) For the financial year 2014 the small profits rate is—

(a) 20% on profits of companies other than ring fence profits, and

(b) 19% on ring fence profits of companies.

(2) For the purposes of Part 3 of CTA 2010, for that year—

(a) the standard fraction is 1/400th, and

(b) the ring fence fraction is 11/400ths.

(3) In subsection (1) "ring fence profits" has the same meaning as in Part 8 of that Act (see section 276 of that Act).

7 Rates for ring fence profits and abolition of small profits rate for non-ring fence profits

Schedule 1—

(a) sets the corporation tax rates for ring fence profits for the financial year 2015 and future years, and

(b) contains provision about the abolition of the small profits rate for profits other than ring fence profits.

Capital gains tax

8 Annual exempt amount for 2014-15

(1) For the tax year 2014-15 the amount specified in section 3(2) of TCGA 1992 (annual exempt amount) is replaced with " £11,000 ".

(2) Accordingly section 3(3) of that Act (indexation of annual exempt amount) does not apply for that tax year.

9 Annual exempt amount for 2015-16 onwards

(1) For the tax year 2015-16 and subsequent tax years the amount specified in section 3(2) of TCGA 1992 (annual exempt amount) is replaced with " £11,100 ".

(2) Section 3(3) of that Act (indexation of annual exempt amount) does not apply in relation to the tax year 2015-16 (but subsection (1) does not override section 3(3) of that Act for subsequent tax years).

Capital allowances

10 Temporary increase in annual investment allowance

(1) In relation to expenditure incurred during the period beginning with the start date and ending with 31 December 2015, section 51A of CAA 2001 (entitlement to annual investment allowance) has effect as if in subsection (5) the amount specified as the maximum allowance (which in the absence of this section would be £250,000 in relation to expenditure incurred before 1 January 2015 and £25,000 in relation to expenditure incurred on or after that date) were £500,000.

(2) Schedule 2 contains—

(a) provision about chargeable periods which straddle the start date or 1 January 2016, and

(b) amendments of FA 2013.

(3) In this section and that Schedule "the start date" means—

(a) for corporation tax purposes, 1 April 2014, and

(b) for income tax purposes, 6 April 2014.

CHAPTER 2

INCOME TAX: GENERAL

Exemptions and reliefs

11 Tax relief for married couples and civil partners

(1) ITA 2007 is amended as set out in subsections (2) to (8).

(2) After section 55 insert—

"**CHAPTER 3A**

TRANSFERABLE TAX ALLOWANCE FOR MARRIED COUPLES AND CIVIL PARTNERS

Introduction

55A Tax reduction under Chapter

(1) This Chapter contains provisions about the entitlement of a spouse or civil partner to a tax reduction in a case where the other party to the marriage or civil partnership has elected for a reduced personal allowance.

(2) A tax reduction under this Chapter is given effect at Step 6 of the calculation in section 23.

(3) For the effect of section 809B (claim for remittance basis to apply) applying to an individual for a tax year, see section 809G (no entitlement to tax reduction).

Tax reduction

55B Tax reduction: entitlement

(1) An individual is entitled to a tax reduction for a tax year of the appropriate percentage of the transferable amount if the conditions in subsection (2) are met.

(2) The conditions are that—

(a) the individual is married to, or in a civil partnership with, a person who makes an election under section 55C for the purposes of this section which is in force for the tax year ("the individual's spouse or civil partner"),

(b) the individual is not, for the tax year, liable to tax at a rate other than the basic rate, the dividend ordinary rate or the starting rate for savings,

(c) the individual meets the requirements of section 56 (residence) for the tax year, and

(d) neither the individual nor the individual's spouse or civil partner makes a claim for the tax year under section 45 (married couple's

allowance: marriages before 5 December 2005) or section 46 (married couple's allowance: marriages and civil partnerships on or after 5 December 2005).

(3) "The appropriate percentage" is the basic rate at which the individual would be charged to income tax for the tax year to which the reduction relates.

(4) "The transferable amount"—

(a) for the tax year 2015-16, is £1,050, and

(b) for the tax year 2016-17 and subsequent tax years, is 10% of the amount of personal allowance specified in section 35(1) for the tax year to which the reduction relates.

(5) If the transferable amount calculated in accordance with subsection (4)(b) would otherwise not be a multiple of £10, it is to be rounded up to the nearest amount which is a multiple of £10.

(6) If an individual is entitled to a tax reduction under subsection (1), the personal allowance to which the individual's spouse or civil partner is entitled under section 35 or 37 is reduced for the tax year by the transferable amount.

(7) If an individual who is entitled to a tax reduction for a tax year under subsection (1) dies during that tax year, subsection (6) is to be ignored (but this does not affect the individual's entitlement to the tax reduction).

Election to reduce personal allowance

55C Election to reduce personal allowance

(1) An individual may make an election for the purposes of section 55B if—

(a) the individual is married to, or in a civil partnership with, the same person—

(i) for the whole or part of the tax year concerned, and

(ii) when the election is made,

(b) the individual is entitled to a personal allowance under section 35 or 37 for that tax year,

(c) assuming the individual's personal allowance was reduced as set out in section 55B(6), the individual would not for that year be liable to tax at a rate other than the basic rate, the dividend ordinary rate or the starting rate for savings, and

(d) where the individual meets the requirements of section 56 (residence) for the tax year by reason of meeting the condition in subsection (3) of that section, the individual meets the condition in subsection (2) of this section.

(2) The condition is that the individual's hypothetical net income for the tax year concerned is less than the amount of the personal allowance to which the individual is entitled for that tax year under section 35 or 37.

(3) For the purposes of subsection (2), an individual's "hypothetical net income" is the amount that would be that individual's net income calculated at Step 2 of section 23 if that individual's income tax liability were calculated on the basis that the individual—

(a) was UK resident for the tax year concerned (and the year was not a split year),

(b) was domiciled in the United Kingdom for that tax year,

(c) in that tax year, did not fall to be regarded as resident in a country outside the United Kingdom for the purposes of double taxation arrangements having effect at the time, and

(d) for that tax year, had made a claim for any available relief under section 6 of TIOPA 2010 (as required by subsection (6) of that section).

(4) An individual's hypothetical net income for a tax year is, to the extent that it is not sterling, to be calculated by reference to the average exchange rate for the year ending on 31 March in the tax year concerned.

55D Procedure for elections under section 55C

(1) An election under section 55C is to be made not more than 4 years after the end of the tax year to which it relates.

(2) If the conditions in paragraphs (a) to (d) of section 55C(1) continue to be met, an election continues in force in each subsequent tax year unless—

(a) subsection (3) applies,

(b) the election is withdrawn, or

(c) it ceases to have effect under subsection (5).

(3) Where an election is made after the end of the tax year to which it relates, the election has effect for the tax year to which it relates only (and accordingly does not continue in force for subsequent tax years under subsection (2)).

(4) An election may be withdrawn only by a notice given by the individual by whom the election was made.

(5) If an individual's spouse or civil partner does not obtain a tax reduction under section 55B in respect of a tax year in which an election is in force the election ceases to have effect for subsequent tax years; but this does not prevent an individual making a further election for the purposes of section 55B(2)(a) (whether or not in relation to the same marriage or civil partnership).

(6) The withdrawal of an election under subsection (4) does not, except in the cases dealt with by subsection (7), have effect until the tax year after the one in which the notice is given.

(7) The withdrawal of an election under subsection (4) has effect for the tax year in which the notice is given if—

(a) in a case where the individual concerned met the condition in section 55C(1)(a) by reason of being married, the marriage has come to an end in that tax year, or

(b) in a case where the individual concerned met the condition in section 55C(1)(a) by reason of being in a civil partnership, the civil partnership has come to an end in that tax year.

(8) For the purposes of subsection (7)(a), a marriage comes to an end if any of the following is made in respect of it—

(a) a decree absolute of divorce, a decree of nullity of marriage or a decree of judicial separation, or

(b) in Scotland, a decree of divorce, a declarator of nullity or a decree of separation.

(9) For the purposes of subsection (7)(b), a civil partnership comes to an end if any of the following is made in respect of it—

(a) a dissolution order or nullity order, which has been made final,

(b) a separation order, or

(c) in Scotland, a decree of dissolution, a declarator of nullity or a decree of separation.

(10) A notice under subsection (4) must—

(a) be given to an officer of Revenue and Customs, and

(b) must be in the form specified by the Commissioners for Her Majesty's Revenue and Customs.

(11) Paragraph 3(1)(b) of Schedule 1A to TMA 1970 (amendment of claims and elections) does not apply to an election under section 55C.

Supplementary

55E Limitation on number of tax reductions and elections

(1) An individual is not entitled to more than one tax reduction under section 55B for a tax year (regardless of whether the individual is a party to more than one marriage or civil partnership in the tax year).

(2) An individual is not entitled to have more than one election for the purposes of section 55B which operates for a tax year (regardless of whether the individual is a party to more than one marriage or civil partnership in the tax year).”

(3) In section 26 (tax reductions), in subsection (1)(a), after the entry relating to Chapter 3 of Part 3 insert— “ Chapter 3A of Part 3 of this Act (transferable tax allowance for married couples and civil partners), ”.

(4) In section 31 (total income: supplementary), in subsection (2), after “basic” insert “ rate ”.

(5) In section 33 (overview of Part)—

(a) in subsection (3), after “partners” insert “ where a party to the marriage or civil partnership is born before 6 April 1935 ”,

(b) after that subsection insert—

“(3A) Chapter 3A provides for a transferable tax allowance for married couples and civil partners.”,

(c) in subsection (4), in the opening words, for “and 3” substitute “ , 3 and 3A ”,

(d) in subsection (4)(a), after “Chapter 3” insert “ or 3A ”, and

(e) in subsection (4)(b), for “those allowances and tax reductions” substitute “ the allowances under Chapter 2 and tax reductions under Chapter 3 ”.

(6) In the heading for Chapter 3 of Part 3 after “PARTNERS” insert “ : PERSONS BORN BEFORE 6 APRIL 1935 ”.

(7) In section 56 (residence), in subsection (1)(b), after "Chapter 3" insert " or 3A ".

(8) In section 809G (claim for remittance basis: effect on allowances), in subsection (2)—

(a) omit the "or" following paragraph (b), and

(b) after paragraph (b) insert—

"(ba) any tax reduction under Chapter 3A of that Part (transferable tax allowance for married couples and civil partners), or".

(9) TMA 1970 is amended as set out in subsections (10) and (11).

(10) In section 42 (procedure for making claims)—

(a) in subsection (10), after "above" insert " and subject to subsection (10A) below ", and

(b) after subsection (10) insert—

"(10A) Subsection (2) above does not apply in relation to an election under section 55C of ITA 2007 (election to transfer allowance to spouse or civil partner)."

(11) In section 43A (further assessments: claims etc), in subsection (2A) after paragraph (a) insert—

"(aa) section 55C of ITA 2007 (election to transfer allowance to spouse or civil partner),".

(12) The amendments made by this section have effect for the tax year 2015-16 and subsequent tax years.

12 Recommended medical treatment

(1) Part 4 of ITEPA 2003 (exemptions) is amended as follows.

(2) In Chapter 11 (miscellaneous exemptions), after section 320B insert—

"Recommended medical treatment

320C Recommended medical treatment

(1) No liability to income tax arises in respect of—

(a) the provision to an employee of recommended medical treatment, or

(b) the payment or reimbursement, to or in respect of an employee, of the cost of such treatment,

if that provision, payment or reimbursement is not pursuant to relevant salary sacrifice arrangements or relevant flexible remuneration arrangements.

(2) But subsection (1) does not apply in a tax year if, and to the extent that, the value of the exemption in that year exceeds £500.

(3) Medical treatment is "recommended" if it is provided to the employee in accordance with a recommendation which—

(a) is made to the employee as part of occupational health services provided to the employee by a service provided—

(i) under section 2 of the Employment and Training Act 1973 (arrangements for the purpose of assisting persons to retain employment etc), or

(ii) by, or in accordance with arrangements made by, the employer,

(b) is made for the purpose of assisting the employee to return to work after a period of absence due to injury or ill health, and

(c) meets any other requirements specified in regulations made by the Treasury.

(4) Regulations under subsection (3)(c) may, in particular, specify that the recommendation must be one given after the employee has been assessed as unfit for work—

(a) for at least the specified number of consecutive days, and

(b) in the specified manner by a person of a specified description.

(5) The Treasury may by order amend subsection (3)(a) so as to add, amend or remove a reference to any enactment.

(6) "The value of the exemption", in a tax year, is an amount equal to the sum of—

(a) all earnings within section 62 (earnings), and

(b) all earnings which are treated as such under the benefits code,

in respect of which subsection (1) would prevent liability to income tax from arising in the tax year disregarding subsection (2).

(7) In this section—

"medical treatment" means all procedures for diagnosing or treating any physical or mental illness, infirmity or defect;

"relevant salary sacrifice arrangements" means arrangements (whenever made, whether before or after the employment began) under which the employee gives up the right to receive an amount of general earnings or specific employment income in return for the provision of recommended medical treatment or the payment or reimbursement of the cost of such treatment;

"relevant flexible remuneration arrangements" means arrangements (whenever made, whether before or after the employment began) under which the employee and employer agree that the employee is to be provided with recommended medical treatment or the cost of such treatment is to be paid or reimbursed, rather than the employee receiving some other description of employment income;

"specified" means specified in regulations under subsection (3)(c)."

(3) In section 266 (exemption of non-cash vouchers for exempt benefits), in subsection (1), omit the "or" at the end of paragraph (d) and after paragraph (e) insert ", or

(f) section 320C (recommended medical treatment);".

(4) The amendments made by this section have effect in accordance with provision contained in an order made by the Treasury.

(5) Section 1014(4) of ITA 2007 (orders etc subject to annulment) does not apply in relation to an order under subsection (4).

Commencement Information

I1 S. 12 has effect as specified (1.1.2015) by The Finance Act 2014, Section 12 (Appointed Day) Order 2014 (S.I. 2014/3226), **art. 2**

13 Relief for loan interest: loan to buy interest in close company

(1) Chapter 1 of Part 8 of ITA 2007 (relief for interest payments) is amended as follows.

(2) In section 392 (loan to buy interest in close company), in subsection (4)—

(a) after "section 393—" insert—

""close company" includes a company which—

(a) is resident in an EEA state other than the United Kingdom, and

(b) if it were UK resident, would be a close company,", and

(b) in the definition of "close investment-holding company", for "section 34 of CTA 2010" substitute " section 393A ".

(3) After section 393 insert—

"**393A Close investment-holding companies**

(1) For the purposes of sections 392 and 393, a close company ("the candidate company") is a close investment-holding company in an accounting period unless throughout the period it exists wholly or mainly for one or more of the permitted purposes set out in subsection (2).

There is an exception to this rule in subsection (5).

(2) The candidate company exists for a permitted purpose so far as it exists—

(a) for the purpose of carrying on a trade or trades on a commercial basis,

(b) for the purpose of making investments in land, or estates or interests in land, in cases where the land is, or is intended to be, let commercially (see subsection (3)),

(c) for the purpose of holding shares in and securities of, or making loans to, one or more companies each of which—

(i) is a qualifying company, or

(ii) falls within subsection (4),

(d) for the purpose of co-ordinating the administration of two or more qualifying companies,

(e) for the purpose of the making of investments as mentioned in paragraph (b)—

(i) by one or more qualifying companies, or

(ii) by a company which has control of the candidate company, or

(f) for the purpose of a trade or trades carried on on a commercial basis—

(i) by one or more qualifying companies, or

(ii) by a company which has control of the candidate company.

(3) For the purposes of subsection (2)(b), any letting of land is taken to be commercial unless the land is let to—

(a) a person connected with the candidate company ("a connected person"), or

(b) a person who is—

(i) the spouse or civil partner of a connected person,

(ii) a relative of a connected person, or the spouse or civil partner of a relative of a connected person,

(iii) the relative of the spouse or civil partner of a connected person, or

(iv) the spouse or civil partner of a relative of a spouse or civil partner of the connected person.

(4) A company falls within this subsection (see subsection (2)(c)(ii)) if—

(a) it is under the control of the candidate company or of a company which has control of the candidate company, and

(b) it exists wholly or mainly for the purpose of holding shares in or securities of, or of making loans to, one or more qualifying companies.

(5) If a company is wound up and was not a close investment-holding company in the accounting period that ends (by virtue of section 12(2) of CTA 2009) immediately before the winding up starts, the company is not treated for the purposes of sections 392 and 393 as being a close investment-holding company in the subsequent accounting period.

(6) In this section "qualifying company" means a company which—

(a) is under the control of the candidate company or of a company which has control of the candidate company, and

(b) exists wholly or mainly for either or both of the purposes mentioned in subsection (2)(a) and (b).

(7) In this section—

"accounting period" has the meaning given by section 1119 of CTA 2010,

"close company" includes a company which—

(a) is resident in an EEA state other than the United Kingdom, and

(b) if it were UK resident, would be a close company,

"control" has the meaning given by section 450 of CTA 2010, and

"relative" means brother, sister, ancestor or lineal descendant."

(4) Accordingly—

(a) in section 383(2)(c), after "close company" insert " etc ",

(b) in the italic heading before section 392, after "*close company*" insert " *etc* ";

(c) in the heading of section 392, after "**close company**" insert " **etc** ".

(5) The amendments made by this section have effect in relation to interest paid in the tax year 2014-15 or any subsequent tax year.

14 Relief for loan interest: loan to buy interest in employee-controlled company

(1) In section 397 of ITA 2007 (eligibility requirements for interest on loans within section 396), for subsection (2)(a) substitute—

"(a) an unquoted company that is resident in the United Kingdom or another EEA state and is not resident outside the European Economic Area, and".

(2) The amendment made by this section has effect in relation to interest paid in the tax year 2014-15 or any subsequent tax year.

Other provisions

15 Restrictions on remittance basis

Schedule 3 makes provision in relation to the remittance basis.

16 Treatment of agency workers

(1) Chapter 7 of Part 2 of ITEPA 2003 (income tax treatment of agency workers) is amended as follows.

(2) For section 44 (treatment of workers supplied by agencies) substitute—

"**44 Treatment of workers supplied by agencies**

(1) This section applies if—

(a) an individual ("the worker") personally provides services (which are not excluded services) to another person ("the client"),

(b) there is a contract between—

(i) the client or a person connected with the client, and

(ii) a person other than the worker, the client or a person connected with the client ("the agency"), and

(c) under or in consequence of that contract—

(i) the services are provided, or

(ii) the client or any person connected with the client pays, or otherwise provides consideration, for the services.

(2) But this section does not apply if—

(a) it is shown that the manner in which the worker provides the services is not subject to (or to the right of) supervision, direction or control by any person, or

(b) remuneration receivable by the worker in consequence of providing the services constitutes employment income of the worker apart from this Chapter.

(3) If this section applies—

(a) the worker is to be treated for income tax purposes as holding an employment with the agency, the duties of which consist of the services the worker provides to the client, and

(b) all remuneration receivable by the worker (from any person) in consequence of providing the services is to be treated for income tax purposes as earnings from that employment,

but this is subject to subsections (4) to (6).

(4) Subsection (5) applies if (whether before or after the worker begins to provide the services)—

(a) the client provides the agency with a fraudulent document which is intended to constitute evidence that, by virtue of subsection (2)(a), this section does not or will not apply, or

(b) a relevant person provides the agency with a fraudulent document which is intended to constitute evidence that, by virtue of subsection (2)(b), this section does not or will not apply.

(5) In relation to services the worker provides to the client after the fraudulent document is provided—

(a) subsection (3) does not apply,

(b) the worker is to be treated for income tax purposes as holding an employment with the client or (as the case may be) with the relevant person, the duties of which consist of the services, and

(c) all remuneration receivable by the worker (from any person) in consequence of providing the services is to be treated for income tax purposes as earnings from that employment.

(6) In subsections (4) and (5) "relevant person" means a person, other than the client, the worker or a person connected with the client or with the agency, who—

(a) is resident, or has a place of business, in the United Kingdom, and

(b) is party to a contract with the agency or a person connected with the agency, under or in consequence of which—

(i) the services are provided, or

(ii) the agency, or a person connected with the agency, makes payments in respect of the services."

(3) In section 45 (arrangements with agencies)—

(a) in paragraph (a), omit "("the agency")", and

(b) in paragraph (b), omit "with the agency".

(4) In section 46 (cases involving unincorporated bodies etc)—

(a) in subsection (1)(a), omit ", or is under an obligation to personally provide,", and

(b) in subsection (2), for the words from "under" to "contract" substitute " in consequence of the worker providing the services ".

(5) After section 46 insert—

"Anti-avoidance

46A Anti-avoidance

(1) This section applies if—

(a) an individual ("W") personally provides services (which are not excluded services) to another person ("C"),

(b) a third person ("A") enters into arrangements the main purpose, or one of the main purposes, of which is to secure that the services are not treated for income tax purposes under section 44 as duties of an employment held by W with A, and

(c) but for this section, section 44 would not apply in relation to the services.

(2) In subsection (1)(b) "arrangements" includes any scheme, transaction or series of transactions, agreement or understanding, whether or not legally enforceable, and any associated operations.

(3) Subject to subsection (2) of section 44, that section applies in relation to the services.

(4) For the purposes of subsection (3)—

(a) W is to be treated as being the worker,

(b) C is to be treated as being the client,

(c) A is to be treated as being the agency, and

(d) section 44 has effect as if subsections (4) to (6) of that section were omitted."

(6) In section 47 (interpretation of Chapter 7), omit subsection (1).

(7) In Chapter 3 of Part 11 of that Act (PAYE: special types of payer or payee), section 688 (agency workers) is amended as follows.

(8) For subsection (1) substitute—

"(1) This section applies if the remuneration receivable by an individual in consequence of providing services falls to be treated under section 44 (agency workers) as earnings from an employment.

(1A) The relevant provisions have effect as if the individual held the employment with or under the deemed employer, subject to subsection (2).

(1B) For the purposes of sections 687, 689 and 689A, if—

(a) a person other than the deemed employer or an intermediary of the deemed employer makes a payment of, or on account of, PAYE income of the individual, and

(b) the payment is not within subsection (2),

the person is to be treated as making the payment as an intermediary of the deemed employer."

(9) In subsection (2)—

(a) for paragraph (a) (and the "and" at the end of that paragraph) substitute—

"(a) the client is not the deemed employer, and", and

(b) for "agency" substitute " deemed employer ".

(10) In subsection (3), for the words from "subsections" to "44;" substitute "this section—

the client" means the person who is the client for the purposes of section 44;

"the deemed employer" means the person with whom the individual is treated under section 44 as having an employment, the duties of which consist of the services;".

(11) The amendments made by this section are treated as having come into force on 6 April 2014.

17 Recovery under PAYE regulations from certain company officers

(1) In Part 4 of the Income Tax (Pay As You Earn) Regulations 2003 (S.I. 2003/2682) (payments, returns and information), after Chapter 3 (PAYE records) insert—

"CHAPTER 3A

CERTAIN DEBTS OF COMPANIES UNDER CHAPTER 7 OF PART 2 OF ITEPA (AGENCIES)

97ZA Interpretation of Chapter 3A

In this Chapter—

"company" includes a limited liability partnership;

"HMRC" means Her Majesty's Revenue and Customs;

"director" has the meaning given by section 67 of ITEPA;

"personal liability notice" has the meaning given by regulation 97ZB(2);

"relevant PAYE debt", in relation to a company, means—

(a) any amount that the company is to deduct, or account for, in accordance with these Regulations by virtue of—

(i) section 44(4) to (6) of ITEPA (persons providing fraudulent documents), or

(ii) section 46A of that Act (anti-avoidance), and

(b) any interest or penalty, in respect of an amount within paragraph (a), for which the company is liable;

"the relevant date", in relation to a relevant PAYE debt, means—

(a) in a case where the relevant PAYE debt is to be deducted or accounted for, or arises, by virtue of subsections (4) to (6) of section 44 of ITEPA, the date on which the fraudulent document was provided as mentioned in subsection (4) of that section, or

(b) in a case where the relevant PAYE debt is to be deducted or accounted for, or arises, by virtue of section 46A of ITEPA, the date the arrangements mentioned in subsection (1)(b) of that section were entered into;

"the specified amount" has the meaning given by regulation 97ZB(2)(a).

97ZB **Liability of directors for relevant PAYE debts**

(1) This regulation applies in relation to an amount of relevant PAYE debt of a company if the company does not deduct, account for or (as the case may be) pay that amount by the time by which the company is required to do so.

(2) HMRC may serve a notice (a "personal liability notice") on any person who was, on the relevant date, a director of the company—

(a) specifying the amount of relevant PAYE debt in relation to which this regulation applies ("the specified amount"), and

(b) requiring the director to pay to HMRC—

(i) the specified amount, and

(ii) specified interest on that amount.

(3) The interest specified in the personal liability notice—

(a) is to be at the rate applicable under section 178 of the Finance Act 1989 for the purposes of section 86 of TMA, and

(b) is to run from the date the notice is served.

(4) A director who is served with a personal liability notice is liable to pay to HMRC the specified amount and the interest specified in the notice within 30 days beginning with the day the notice is served.

(5) If HMRC serve personal liability notices on more than one director of the company in respect of the same amount of relevant PAYE debt, the directors are jointly and severally liable to pay to HMRC the specified amount and the interest specified in the notices.

97ZC **Appeals in relation to personal liability notices**

(1) A person who is served with a personal liability notice in relation to an amount of relevant PAYE debt of a company may appeal against the notice.

(2) A notice of appeal must—

(a) be given to HMRC within 30 days beginning with the day the personal liability notice is served, and

(b) specify the grounds of the appeal.

(3) The grounds of appeal are —

(a) that all or part of the specified amount does not represent an amount of relevant PAYE debt, of the company, to which regulation 97ZB applies, or

(b) that the person was not a director of the company on the relevant date.

(4) But a person may not appeal on the ground mentioned in paragraph (3)(a) if it has already been determined, on an appeal by the company, that—

(a) the specified amount is a relevant PAYE debt of the company, and

(b) the company did not deduct, account for, or (as the case may be) pay the debt by the time by which the company was required to do so.

(5) Subject to paragraph (6), on an appeal that is notified to the tribunal, the tribunal is to uphold or quash the personal liability notice.

(6) In a case in which the ground of appeal mentioned in paragraph (3)(a) is raised, the tribunal may also reduce or increase the specified amount so that it does represent an amount of relevant PAYE debt, of the company, to which regulation 97ZB applies.

97ZD **Withdrawal of personal liability notices**

(1) A personal liability notice is withdrawn if the tribunal quashes it.

(2) An officer of Revenue and Customs may withdraw a personal liability notice if the officer considers it appropriate to do so.

(3) If a personal liability notice is withdrawn, HMRC must give notice of that fact to the person upon whom the notice was served.

97ZE **Recovery of sums due under personal liability notice: application of Part 6 of TMA**

(1) For the purposes of this Chapter, Part 6 of TMA (collection and recovery) applies as if—

(a) the personal liability notice were an assessment, and

(b) the specified amount, and any interest on that amount under regulation 97ZB(2)(b)(ii), were income tax charged on the director upon whom the notice is served,

and that Part of that Act applies with the modification in paragraph (2) and any other necessary modifications.

(2) Summary proceedings for the recovery of the specified amount, and any interest on that amount under regulation 97ZB(2)(b)(ii), may be brought in England and Wales or Northern Ireland at any time before the end of the period of 12 months beginning with the day after the day on which personal liability notice is served.

97ZF **Repayment of surplus amounts**

(1) This regulation applies if—

(a) one or more personal liability notices are served in respect of an amount of relevant PAYE debt of a company, and

(b) the amounts paid to HMRC (whether by directors upon whom notices are served or the company) exceed the aggregate of the specified amount and any interest on it under regulation 97ZB(2)(b)(ii).

(2) HMRC is to repay the difference on a just and equitable basis and without unreasonable delay.

(3) HMRC is to pay interest on any sum repaid.

(4) The interest—

(a) is to be at the rate applicable under section 178 of the Finance Act 1989 for the purposes of section 824 of ICTA, and

(b) is to run from the date the amounts paid to HMRC come to exceed the aggregate mentioned in subsection (1)(b).”

(2) In Chapter 3 of Part 11 of ITEPA 2003 (PAYE: special types of payer or payee), section 688 (agency workers) (as amended by section 16) is amended as follows.

(3) After subsection (2) insert—

"(2A) PAYE regulations may make provision for, or in connection with, the recovery from a director or officer of a company, in such circumstances as may be specified in the regulations, of—

(a) any amount the company is, by virtue of section 44(4) to (6) or 46A, to deduct, or account for, in accordance with PAYE regulations, and

(b) any interest or penalty, in respect of an amount within paragraph (a), for which the company is liable."

(4) In subsection (3)—

(a) after the definition of "the client" insert—

""company" includes a limited liability partnership;", and

(b) after the definition of "the deemed employer" insert—

""director" has the meaning given by section 67;

"officer", in relation to a company, means any manager, secretary or other similar officer of the company, or any person acting or purporting to act as such;".

(5) The amendment made by subsection (1) is to be treated as having been made by the Commissioners for Her Majesty's Revenue and Customs in exercise of the power conferred by subsection (2A) of section 688 of ITEPA 2003 (inserted by subsection (3)).

(6) Chapter 3A of Part 4 of the Income Tax (Pay As You Earn) Regulations 2003 (inserted by subsection (1)) has effect in relation to relevant PAYE debts that are to be deducted, accounted for or paid on or after 6 April 2014.

18 Employment intermediaries: information powers and related penalties

(1) After section 716A of ITEPA 2003 insert—

"Employment intermediaries: information powers

716B Employment intermediaries to keep, preserve and provide information etc

(1) For purposes connected with Chapter 7 of Part 2 (treatment of workers supplied by agencies) or Part 11 (PAYE), the Commissioners for Her Majesty's Revenue and Customs may by regulations make provision for, or in connection with, requiring a specified employment intermediary—

(a) to keep and preserve specified information, records or documents for a specified period;

(b) to provide Her Majesty's Revenue and Customs with specified information, records or documents within a specified period or at specified times.

(2) An "employment intermediary" is a person who makes arrangements under or in consequence of which—

(a) an individual works, or is to work, for a third person, or

(b) an individual is, or is to be, remunerated for work done for a third person.

(3) For the purposes of subsection (2), an individual works for a person if—

(a) the individual performs any duties of an employment for that person (whether or not the individual is employed by that person), or

(b) the individual provides, or is involved in the provision of, a service to that person.

(4) In subsection (1) "specified" means specified or described in regulations made under this section.

(5) Regulations under this section may—

(a) make different provision for different cases or different purposes, and

(b) make incidental, consequential, supplementary or transitional provision or savings."

(2) Section 98 of TMA 1970 (penalties: special returns etc) is amended as follows.

(3) After subsection (4E) insert—

"(4F) If a person fails to furnish any information or produce any document or record in accordance with regulations under section 716B of ITEPA 2003, subsection (1) has effect as if—

(a) for "£300" there were substituted " £3,000 ", and

(b) for "£60" there were substituted " £600 "."

(4) In the second column of the Table, at the appropriate place insert " Regulations under section 716B of ITEPA 2003. ".

(5) The amendments made subsections (2) to (4) have effect from such day as the Treasury may appoint by order made by statutory instrument.

Commencement Information

I2 S. 18(2)-(4) in force at 6.4.2015 for the purposes of the amendments made by those sub-sections by S.I. 2015/931, **art. 2**

19 Payments by employer on account of tax where deduction not possible

(1) In section 222 of ITEPA 2003 (payments by employer on account of tax where deduction not possible), in subsection (1)(c), for "beginning with the relevant date" substitute " after the end of the tax year in which the relevant date falls ".

(2) The amendment made by this section has effect in relation to payments of income treated as made on or after 6 April 2014.

20 PAYE obligations of UK intermediary in cases involving non-UK employer

(1) Section 689 of ITEPA 2003 (PAYE: employee of non-UK employer) is amended as follows.

(2) After subsection (1A) insert—

"(1B) Subsection (1C) applies if—

(a) the employee worked for the relevant person during the period under or in consequence of arrangements made between the relevant person and a third person,

(b) the third person did not make the payment of, or on account of, PAYE income of the employee, and

(c) PAYE regulations would apply to the third person if the third person were to make a payment of, or on account of, PAYE income of the employee.

(1C) The third person is to be treated, for the purposes of PAYE regulations, as making a payment of PAYE income of the employee of an amount equal to the amount given by subsection (3)."

(3) In subsection (2), for "The" substitute " If subsection (1C) does not apply, the ".

(4) The amendments made by this section are treated as having come into force on 6 April 2014.

21 Oil and gas workers on the continental shelf: operation of PAYE

(1) ITEPA 2003 is amended as follows.

(2) In section 222 (payments by employer on account of tax where deduction not possible)—

(a) in subsection (1)(a), after "689" insert " , 689A ", and

(b) in subsection (3), after "employer)" insert " or section 689A(3) (deemed payments of PAYE income of continental shelf workers by person other than employer) ".

(3) In section 421L (persons to whom certain duties to provide information and returns apply)—

(a) in subsection (3), after paragraph (b) insert—

"(ba) if the employee in question is a continental shelf worker and PAYE regulations do not apply to the employer in question, any person who is a relevant person in relation to the employee in question,", and

(b) after subsection (5) insert—

"(5A) In subsection (3)(ba) "continental shelf worker" and "relevant person" have the meaning given by section 689A(11) (PAYE: oil and gas workers on the continental shelf)."

(4) In section 689 (provision about PAYE for employees of non-UK employers), after subsection (1) insert—

"(1ZA) But this section does not apply if section 689A applies or would apply but for a certificate issued under regulations made under subsection (7) of that section."

(5) After that section insert—

"**689A Oil and gas workers on the continental shelf**

(1) This section applies if—

(a) any payment of, or on account of, PAYE income of a continental shelf worker in respect of a period is made by a person who is the employer or an intermediary of the employer or of the relevant person,

(b) PAYE regulations do not apply to the person making the payment or, if that person makes the payment as an intermediary of the employer or of the relevant person, to the employer, and

(c) income tax and any relevant debts are not deducted, or not accounted for, in accordance with PAYE regulations by the person making the payment or, if that person makes the payment as an intermediary of the employer or of the relevant person, by the employer.

(2) Subject to subsection (5), subsection (1)(a) does not apply in relation to a payment so far as the sum paid is employment income under Chapter 2 of Part 7A.

(3) The relevant person is to be treated, for the purposes of PAYE regulations, as making a payment of PAYE income of the continental shelf worker of an amount equal to the amount given by subsection (4).

(4) The amount referred to is—

(a) if the amount of the payment actually made is an amount to which the recipient is entitled after deduction of income tax and any relevant debts under PAYE regulations, the aggregate of the amount of the payment and the amount of any income tax due and any relevant debts deductible, and

(b) in any other case, the amount of the payment.

(5) If, by virtue of any of sections 687A and 693 to 700, an employer would be treated for the purposes of PAYE regulations (if they applied to the employer) as making a payment of any amount to a continental shelf worker, this section has effect as if—

(a) the employer were also to be treated for the purposes of this section as making an actual payment of that amount, and

(b) paragraph (a) of subsection (4) were omitted.

(6) For the purposes of this section a payment of, or on account of, PAYE income of a continental shelf worker is made by an intermediary of the employer or of the relevant person if it is made—

(a) by a person acting on behalf of the employer or the relevant person and at the expense of the employer or the relevant person or a person connected with the employer or the relevant person, or

(b) by trustees holding property for any persons who include, or a class of persons which includes, the continental shelf worker.

(7) PAYE regulations may make provision for, or in connection with, the issue by Her Majesty's Revenue and Customs of a certificate to a relevant person in respect of one or more continental shelf workers—

(a) confirming that, in respect of payments of, or on account of, PAYE income of the continental shelf workers specified or described in the certificate, income tax and any relevant debts are being deducted, or accounted for, as mentioned in subsection (1)(c), and

(b) disapplying this section in relation to payments of, or on account of, PAYE income of those workers while the certificate is in force.

(8) Regulations under subsection (7) may, in particular, make provision about—

(a) applying for a certificate;

(b) the circumstances in which a certificate may, or must, be issued or cancelled;

(c) the form and content of a certificate;

(d) the effect of a certificate (including provision modifying the effect mentioned in subsection (7)(b) or specifying further effects);

(e) the effect of cancelling a certificate.

(9) Subsection (10) applies if—

(a) there is more than one relevant person in relation to a continental shelf worker, and

(b) in consequence of the same payment within subsection (1)(a), each of them is treated under subsection (3) as making a payment of PAYE income of the worker.

(10) If one of the relevant persons complies with section 710 (notional payments: accounting for tax) in respect of the payment that person is treated as making, the other relevant persons do not have to comply with that section in respect of the payments they are treated as making.

(11) In this section—

"continental shelf worker" means a person in an employment some or all of the duties of which are performed—

(a) in the UK sector of the continental shelf (as defined in section 41), and

(b) in connection with exploration or exploitation activities (as so defined);

"employer" means the employer of the continental shelf worker;

"relevant person", in relation to a continental shelf worker, means—

(a) if the employer has an associated company (as defined in section 449 of CTA 2010) with a place of business or registered office in the United Kingdom, the associated company, or

(b) in any other case, the person who holds the licence under Part 1 of the Petroleum Act 1998 in respect of the area of the UK sector of the continental shelf where some or all of the duties of the continental shelf worker's employment are performed."

(6) In section 690 (employee non-resident etc), in subsection (10)—

(a) after "689", in the first place it appears, insert " or 689A ", and

(b) after "689", in the second place it appears, insert " or (as the case may be) 689A ".

(7) In section 710 (notional payments: accounting for tax), in subsection (2)—

(a) in paragraph (a)—

(i) after "689" insert " , 689A ", and

(ii) for "or 689(3)(a)" substitute " , 689(3)(a) or 689A(4)(a) ", and

(b) in paragraph (b), after "689(2)" insert " or 689A(3) ".

(8) In section 689A (inserted by subsection (5)), at the end insert—

"(12) The Treasury may by regulations modify the definitions of "continental shelf worker" and "relevant person", as the Treasury thinks appropriate.

(13) Regulations under subsection (12) may—

(a) make different provision for different cases or different purposes,

(b) make incidental, consequential, supplementary or transitional provision or savings, and

(c) amend this section."

(9) The amendment made by subsection (5) is treated as having come into force—

(a) on 26 March 2014 for the purposes of making regulations under section 689A(7) of ITEPA 2003, and

(b) on 6 April 2014 for remaining purposes.

(10) The amendments made by subsections (2), (4), (6) and (7) are treated as having come into force on 6 April 2014.

22 Threshold for benefit of loan to be treated as earnings

(1) In section 180 of ITEPA 2003 (threshold for benefit of a loan to be treated as earnings), in subsections (1)(a) and (b), (2) and (3), for "£5,000" (wherever occurring) substitute " £10,000 ".

(2) The amendments made by this section have effect for the tax year 2014-15 and subsequent tax years (and apply to loans made at any time).

23 Taxable benefits: cars, vans and related benefits

(1) In section 114 of ITEPA 2003 (cars, vans and related benefits), omit subsection (3) (which prevents a charge by virtue of Chapter 6 of Part 3 of that Act where an amount constitutes earnings by virtue of any other provision).

(2) The amendment made by this section has effect for the tax year 2014-15 and subsequent tax years.

24 Cars: the appropriate percentage

(1) Chapter 6 of Part 3 of ITEPA 2003 (taxable benefits: cars, vans and related benefits) is amended as follows.

(2) In section 133 (how to determine the appropriate percentage), in subsection (2)—

(a) at the end of paragraph (a) insert " or ",

(b) omit paragraph (c) and the "or" before it, and

(c) for "to 141" substitute " and 140 ".

(3) Section 139 (cars with a CO_2 figure: the appropriate percentage) is amended in accordance with subsections (4) to (6).

(4) In subsection (2) —

(a) in paragraph (a) for "5%" substitute " 7% ",

(b) in paragraph (aa) for "9%" substitute " 11% ", and

(c) in paragraph (b) for "13%" substitute " 15% ".

(5) In subsection (3), for "14%" substitute " 16% ".

(6) In subsection (7), omit paragraph (a) and the "and" after it.

(7) Section 140 (cars without a CO_2 figure: the appropriate percentage) is amended in accordance with subsections (8) to (10).

(8) In subsection (2), in the Table —

(a) for "15%" substitute " 16% ", and

(b) for "25%" substitute " 27% ".

(9) In subsection (3)(a), for "5%" substitute " 7% ".

(10) In subsection (5), omit paragraph (a) and the "and" after it.

(11) Omit section 141 (diesel cars: the appropriate percentage).

(12) Section 142 (car first registered before 1st January 1998: the appropriate percentage) is amended in accordance with subsections (13) and (14).

(13) In subsection (2), in the Table —

(a) for "15%" substitute " 16% ",

(b) for "22%" substitute " 27% ", and

(c) for "32%" substitute " 37% ".

(14) In subsection (3), for "32%" substitute " 37% ".

(15) In section 170(4) (power to reduce value of appropriate percentage by regulations), for the words "to 141" substitute " and 140 ".

(16) In consequence, section 23(4) and (5)(b) of FA 2013 is omitted.

(17) The amendments made by this section have effect for the tax year 2016-17 and subsequent tax years.

25 Cars and vans: payments for private use

(1) In section 144 of ITEPA 2003 (deduction for payments for private use: cars), for subsection (1)(b) substitute—

"(b) pays that amount in that year."

(2) In section 158 of that Act (reduction for payments for private use: vans), for subsection (1)(b) substitute—

"(b) pays that amount in that year."

(3) The amendments made by this section have effect for the tax year 2014-15 and subsequent tax years.

CHAPTER 3

CORPORATION TAX: GENERAL

26 Release of debts: stabilisation powers under Banking Act 2009

(1) Section 322 of CTA 2009 (release of debts: cases where credits not required to be brought into account) is amended as follows.

(2) In subsection (2), for "condition A, B or C" substitute " any of conditions A to D ".

(3) After subsection (5) insert—

"(5A) Condition D is that the liability is released in consequence of the exercise of a stabilisation power under Part 1 of the Banking Act 2009."

(4) The amendments made by this section have effect in relation to releases of liabilities on or after 26 November 2013.

27 Holdings treated as rights under loan relationships

(1) CTA 2009 is amended as follows.

(2) In section 465(3) (list of provisions under which certain distributions are not excluded from Part 5) before paragraph (a) insert—

"(za) section 490(2) (holdings in OEICs, unit trusts and offshore funds treated as rights under creditor relationships),".

(3) In section 490 (holding in an OEIC, unit trust or offshore fund treated as rights under a creditor relationship) for subsection (2) substitute—

"(2) The Corporation Tax Acts have effect for the accounting period in accordance with subsection (3) as if—

(a) the relevant holding were rights under a creditor relationship of the company, and

(b) any distribution in respect of the relevant holding were not a distribution (and accordingly is within Part 5)."

(4) Omit section 490(4) and (5) (which are superseded by the new section 490(2)(b)).

(5) For section 492 (rules about tax calculations in avoidance cases where holding comes within section 490) substitute—

"**492 Holding coming within section 490: calculation to undo avoidance**

(1) Subsection (2) applies if—

(a) section 490 applies for an accounting period of a company to a relevant holding held by the company,

(b) a relevant fund enters into any arrangements, or arrangements are entered into that in whole or part relate to a relevant fund, and

(c) the main purpose or one of the main purposes of the arrangements is to obtain a tax advantage for a person.

(2) The company must make adjustments to counteract any tax advantage connected in any way with the relevant holding that would (ignoring this section) be obtained by the company, or any other person, directly or indirectly in consequence of the arrangements or their being entered into.

(3) The arrangements may be ones entered into at a time when the company does not hold the relevant holding; and any person referred to in subsection (1)(c) need not be identified when the arrangements are entered into.

(4) The adjustments required by subsection (2) are such as are just and reasonable.

(5) In this section—

"arrangements" includes any scheme, arrangement or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions, and

"relevant fund" means—

(a) the open-ended investment company, unit trust scheme or offshore fund in which the relevant holding is held, or

(b) an open-ended investment company, unit trust scheme or offshore fund in which a relevant fund has a holding."

(6) In section 495 (meaning of "qualifying holdings")—

(a) in subsection (1)—

(i) for "would itself fail" substitute " itself fails ", and

(ii) omit ", even on the assumption in subsection (2)", and

(b) omit subsection (2).

(7) The amendments made by this section have effect in relation to accounting periods beginning on or after 1 April 2014.

(8) For the purposes of subsection (7), an accounting period beginning before, and ending on or after, 1 April 2014 is to be treated as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods.

(9) An apportionment for the purposes of subsection (8) must be made in accordance with section 1172 of CTA 2010 (time basis) or, if that method produces a result that is unjust or unreasonable, on a just and reasonable basis.

28 De-grouping charges (loan relationships etc)

(1) CTA 2009 is amended as follows.

(2) In each of sections 345 and 346 (loan relationships: transferee leaving group)—

(a) in subsection (2), omit "If condition A or B is met,", and

(b) omit subsections (3) to (5).

(3) In each of sections 631 and 632 (derivative contracts: transferee leaving group)—

(a) in subsection (2), omit "If condition A or B is met,", and

(b) omit subsections (3) and (4).

(4) An amendment made by this section has effect where the cessation of membership of the relevant group occurs on or after 1 April 2014.

29 Disguised distribution arrangements involving derivative contracts

(1) In Chapter 11 of Part 7 of CTA 2009 (derivative contracts: tax avoidance), after section 695 (but before the following italic heading) insert—

"**695A Disguised distribution arrangements involving derivative contracts**

(1) This section applies if—

(a) a company ("A") is a party to arrangements involving one or more derivative contracts (each of which is referred to in this section as a "specified contract"),

(b) another company ("B") is also a party to the arrangements (whether or not at the same time as A),

(c) A and B are members of the same group,

(d) the arrangements result in what is, in substance, a payment (directly or indirectly) from A to B of all or a significant part of the profits of the business of A or of a company which is a member of the same group as A or B (or both) ("the profit transfer"), and

(e) the arrangements are not arrangements of a kind which companies carrying on the same kind of business as A would enter into in the ordinary course of that business.

(2) No debits in respect of a specified contract, which—

(a) relate to the profit transfer, and

(b) apart from this section, would be brought into account by A or B for the purposes of this Part,

are to be so brought into account.

(3) Where one or more debits in respect of a specified contract are not brought into account by virtue of subsection (2), credits arising from the same contract which—

(a) relate to the same profit transfer, and

(b) apart from this section, would be brought into account by A or B for the purposes of this Part,

are not to be so brought into account to the extent that the total of those credits does not exceed the total of those debits.

(4) Subsection (3) does not apply to any credit which arises directly or indirectly in consequence of, or otherwise in connection with, arrangements the main purpose of which, or one of the main purposes of which, is the securing of a tax advantage for any person.

(5) For the purposes of this section a company is a member of the same group as another company if it is (or has been) a member of the same group at a time when the arrangements mentioned in subsection (1) have effect.

(6) In this section—

"arrangements" includes any scheme, arrangement or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions;

"group" has the meaning given by section 357GD of CTA 2010;

"tax advantage" has the meaning given by section 1139 of CTA 2010."

(2) The amendment made by this section has effect in relation to accounting periods beginning on or after 5 December 2013.

This is subject to subsections (3) to (6).

(3) In the case of a company which has an accounting period beginning before 5 December 2013 and ending on or after that date ("the straddling period"), for the purposes of subsections (2) and (4) so much of the straddling period as falls before that date, and so much of that period as falls on or after that date, are treated as separate accounting periods.

(4) The amendment does not have effect in relation to debits, arising from a specified contract, which relate to the profit transfer and are or would be brought into account for an accounting period beginning on or after 5 December 2013 to the extent that the total of those debits does not exceed the amount (if any) by which—

(a) the total amount of credits arising from that contract which—

(i) relate to the profit transfer, and

(ii) are or would be brought into account for the purposes of Part 7 of CTA 2009 for any accounting period ending before 5 December 2013, exceeds

(b) the total amount of debits arising from that contract which relate to the profit transfer and are or would be brought into account as mentioned in paragraph (a)(ii).

(5) In the case of credits to which subsection (6) applies, section 695A of CTA 2009 has effect as if—

(a) subsection (2) of that section applied to credits in respect of a specified contract as it applies to debits in respect of a specified contract,

(b) subsection (3) of that section were omitted, and

(c) in subsection (4) the reference to subsection (3) were to subsection (2).

(6) This subsection applies to credits which, had A or B had an accounting period beginning with 5 December 2013 and ending with 22 January 2014, would have been brought into account for that period by A or (as the case may be) B for the purposes of Part 7 of that Act (ignoring section 695A of CTA 2009).

30 Avoidance schemes involving the transfer of corporate profits

(1) In Chapter 1 of Part 20 of CTA 2009 (general calculation rules: restriction on deductions), after section 1305 insert—

"**1305A Avoidance schemes involving the transfer of corporate profits**

(1) This section applies if—

(a) two companies ("A" and "B") are party to any arrangements (whether or not at the same time),

(b) A and B are members of the same group,

(c) the arrangements result in what is, in substance, a payment (directly or indirectly) from A to B of all or a significant part of the profits of the business of A or of a company which is a member of the same group as A or B (or both) ("the profit transfer"), and

(d) the main purpose or one of the main purposes of the arrangements is to secure a tax advantage for any person involving the profit transfer (whether by circumventing section 695A (disguised distribution arrangements: derivative contracts) or otherwise).

(2) A's profits are to be calculated for corporation tax purposes as if the profit transfer had not occurred.

(3) Accordingly—

(a) if (apart from this section) an amount relating to the profit transfer would be brought into account by A as a deduction in that calculation, no deduction is allowed in respect of that amount, and

(b) A's profits are to be increased by so much of the amount of the profit transfer as is not an amount to which paragraph (a) applies (whether or not the profits transferred would be A's profits apart from the arrangements).

(4) For the purposes of this section a company is a member of the same group as another company if it is (or has been) a member of the same group at a time when the arrangements mentioned in subsection (1) have effect.

(5) Where in relation to arrangements involving one or more derivative contracts the requirements of section 695A(1)(a) to (e) are met, nothing in this section applies in relation to any debit in respect of any of those contracts.

(6) In this section—

"arrangements" includes any scheme, arrangement or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions;

"group" has the meaning given by section 357GD of CTA 2010;

"tax advantage" has the meaning given by section 1139 of CTA 2010."

(2) The amendment made by this section has effect in relation to payments made on or after 19 March 2014.

31 R&D tax credits for small or medium-sized enterprises

(1) In section 1058 of CTA 2009 (amount of tax credit), in subsection (1)(a), for "11%" substitute " 14.5% ".

(2) The amendment made by this section has effect in relation to expenditure incurred on or after 1 April 2014.

32 Film tax relief

(1) Chapter 3 of Part 15 of CTA 2009 (film tax relief) is amended as follows.

(2) In section 1198 (UK expenditure), in subsection (1), for "25%" substitute " 10% ".

F4(3) . . . . . .

(4) The **[**F5amendment made by subsection (2) has**]** effect in relation to films the principal photography of which is not completed before such day as the Treasury may specify by order.

F6(5) . . . . . .

(6) A specified day may be before the day on which the order is made, but may not be before 1 April 2014.

(7) The Treasury may by order amend **[**F7section 1198(1)**]** of CTA 2009 (as amended and inserted by this section) in connection with an application for State aid approval.

(8) In this section "State aid approval" means approval that the provision made by this section, to the extent that it constitutes the granting of aid to which any of the provisions of Article 107 or 108 of the Treaty on the Functioning of the European Union applies, is, or would be, compatible with the internal market, within the meaning of Article 107 of that Treaty.

(9) An order under subsection (7) may—

(a) make incidental, supplemental, consequential, transitional or saving provision;

(b) contain provision having effect in relation to films mentioned in subsection (4).

Textual Amendments

F4 S. 32(3) omitted (1.4.2015, with effect in accordance with s. 29(8) of the amending Act) by virtue of Finance Act 2015 (c. 11), **s. 29(7)(a)**; S.I. 2015/1741, reg. 2

F5 Words in s. 32(4) substituted (1.4.2015, with effect in accordance with s. 29(8) of the amending Act) by Finance Act 2015 (c. 11), **s. 29(7)(b)**; S.I. 2015/1741, reg. 2

F6 S. 32(5) omitted (1.4.2015, with effect in accordance with s. 29(8) of the amending Act) by virtue of Finance Act 2015 (c. 11), **s. 29(7)(c)**; S.I. 2015/1741, reg. 2

F7 Words in s. 32(7) substituted (1.4.2015, with effect in accordance with s. 29(8) of the amending Act) by Finance Act 2015 (c. 11), **s. 29(7)(d)**; S.I. 2015/1741, reg. 2

Commencement Information

I3 S. 32(2)(3) in force at 1.4.2014 for the purposes of the amendments made by those sub-sections by S.I. 2014/2880, **art. 2**

33 Television tax relief: activities to be treated as separate trade

(1) Part 15A of CTA 2009 (television production) is amended as follows.

(2) In section 1216A (overview), in subsection (3)(a), for "its" substitute " each qualifying ".

(3) In section 1216B (activities of television production company treated as a separate trade)—

(a) in subsection (1), after the second "a" insert " qualifying ";

(b) in subsection (2), for "television" substitute " qualifying relevant ";

(c) at the end insert—

"(5) In this section "qualifying relevant programme" means a relevant programme in relation to which the conditions for television tax relief are met (see section 1216C(2))."

34 Video games development

(1) Part 15B of CTA 2009 (video games development) is amended as follows.

(2) In section 1217A (overview), in subsection (3)(a), for "its" substitute " each qualifying ".

(3) In section 1217AE—

(a) in the heading, for "UK" substitute " EEA ";

(b) for subsection (1) substitute—

"(1) In this Part, "EEA expenditure", in relation to a video game, means expenditure on goods or services that are provided from within the European Economic Area.";

(c) in subsection (2), for "UK expenditure and non-UK expenditure" substitute " EEA expenditure and non-EEA expenditure ".

(4) In section 1217B (activities of video games development company treated as a separate trade)—

(a) in subsection (1), after the second "a" insert " qualifying ";

(b) in subsection (2), after the second "other" insert " qualifying ";

(c) at the end insert—

"(5) In this section "qualifying video game" means a video game in relation to which the conditions for video games tax relief are met (see section 1217C(2))."

(5) In section 1217CF (additional deduction for qualifying expenditure)—

(a) after subsection (3) insert—

"(3A) But if the core expenditure on the video game includes sub-contractor payments which (in total) exceed £1 million, the excess is not "qualifying expenditure".";

(b) in subsection (4)(a), for "subsection (3)" substitute " subsections (3) and (3A) ";

(c) at the end insert—

"(5) In this section, "sub-contractor payment" means a payment made by the company to another person in respect of work on design, production or testing of the video game that is contracted out by the company to the person."

(6) In the following provisions, for "UK expenditure" substitute " EEA expenditure "

(a) section 1217C(2)(c);

(b) the heading above section 1217CE;

(c) the heading of section 1217CE;

(d) section 1217CE(1);

(e) section 1217CG(1)(a) and (2)(a);

(f) the heading of section 1217EB;
(g) section 1217EB(1)(a) and (b) and (3).

(7) In Schedule 4 to CTA 2009 (index of defined expressions)—
(a) omit the entry for "UK expenditure (in Part 15B)";
(b) at the appropriate place insert—

"EEA expenditure (in Part 15B)	section 1217AE".

(8) The amendments made by this section have effect in relation to accounting periods beginning on or after the day specified in an order made by the Treasury under paragraph 3 of Schedule 17 to FA 2013 (and sub-paragraphs (3) and (4) of that paragraph apply accordingly).

35 Community amateur sports clubs

(1) Part 6 of CTA 2010 (charitable donations relief: payments to charity) is amended in accordance with subsections (2) to (7).

(2) In section 189 (relief for charitable donations), in subsection (5), after "subject to" insert " Chapter 2A of this Part, ".

(3) In section 192 (condition as to repayment), in subsection (6), omit the "and" at the end of paragraph (a) and after that paragraph insert—
"(aa) the repayment is not non-qualifying expenditure for the purposes of Chapter 9 of Part 13 (see section 661(5)), and".

(4) In section 200 (company wholly owned by a charity), after subsection (4) insert—
"(4A) In the case of a charity which is a registered club, ordinary share capital of a company is treated as owned by a charity if the charity beneficially owns that share capital."

(5) In section 202 (meaning of "charity"), before paragraph (b) insert—
"(aa) a registered club,".

(6) After that section insert—

"**202A "Registered club"**

In this Chapter "registered club" has the meaning given by section 658(6) (clubs registered as community amateur sports clubs)."

(7) After Chapter 2 insert—

"**CHAPTER 2A**

PAYMENTS TO COMMUNITY AMATEUR SPORTS CLUBS: ANTI-ABUSE

202B **Restriction on relief for payments to community amateur sports clubs**

(1) Subsection (2) applies if—

(a) one or more qualifying payments are made by a company to a registered club ("the club") in an accounting period ("the current period"),

(b) the company is wholly owned, or controlled, by the club or by a number of charities which include the club, for all or part of that period, and

(c) inflated member-related expenditure is incurred by the company in that period.

(2) For the purposes of section 189 (relief for qualifying charitable donations), the total amount of those qualifying payments is treated as reduced (but not below nil) by the total amount of that inflated member-related expenditure.

(3) Subsection (4) applies if—

(a) the total amount of that expenditure exceeds the total amount of those payments, and

(b) the company made one or more qualifying payments to the club in an earlier accounting period ending not more than 6 years before the end of the current period.

(4) For the purposes of section 189, the total amount of the qualifying payments made in the earlier accounting period is treated as reduced (but not below nil) by the amount of the excess.

(5) If subsection (3)(b) applies in relation to more than one earlier accounting period—

(a) subsection (4) applies to treat amounts paid in later accounting periods as reduced in priority to amounts paid in earlier ones (until the excess is exhausted or all amounts have been reduced to nil), and

(b) in applying subsection (4) in relation to an accounting period, the reference to the excess is to be read as a reference to so much of it as exceeds the total amount of qualifying payments which, under that subsection, have previously been reduced to nil by the excess.

(6) For the purposes of subsections (3) and (4), a reference to the total amount of qualifying payments made in an earlier accounting period is to the total amount of those payments after—

(a) any reduction under subsection (2), and

(b) any previous reduction under subsection (4).

(7) Such adjustments must be made (whether by way of the making of assessments or otherwise) as may be required in consequence of subsections (4) to (6).

(8) Section 200 (company wholly owned by a charity) applies for the purposes of this section.

(9) For the purposes of this section, the club controls the company if it has the power to secure—

(a) by means of the holding of shares or the possession of voting power in relation to the company or any other company, or

(b) as a result of any powers conferred by the articles of association or other document regulating the company or any other company,

that the affairs of the company are conducted in accordance with the club's wishes.

(10) For the purposes of this section two or more charities (including the club) control the company if, acting together, they have the power to secure, as mentioned in paragraph (a) or (b) of subsection (9), that the affairs of the company are conducted in accordance with the wishes of those charities.

(11) In this section—

"charity" has the same meaning as in Chapter 2,

"qualifying payment" means a qualifying payment for the purposes of Chapter 2, and

"registered club" has the same meaning as in Chapter 2,

and any reference to a member of the club includes a reference to a person connected with a member of the club.

202C **"Inflated member-related expenditure"**

(1) This section applies for the purposes of section 202B.

(2) "Inflated member-related expenditure" means—

(a) employment expenditure incurred in respect of the employment of a member of the club, by the company, where that employment is otherwise than on an arm's length basis, or

(b) expenditure incurred on a supply of goods and services to the club by—

(i) a member of the club, or

(ii) a member-controlled body,

otherwise than on an arm's length basis.

(3) But if the features of an employment or supply which cause it to be otherwise than on an arm's length basis, when taken together, are more advantageous to the company than if the employment or supply had been on an arm's length basis, any expenditure incurred in respect of the employment or on the supply is not inflated member-related expenditure.

(4) A company is "member-controlled" if a member of the club has (or two or more members acting together have) the power to secure—

(a) by means of the holding of shares or the possession of voting power in relation to that or any other body corporate, or

(b) as a result of any powers conferred by the articles of association or other document regulating that or any other body corporate,

that the affairs of the company are conducted in accordance with the wishes of the member (or, as the case may be, members).

(5) A partnership is "member-controlled" if a member of the club has (or two or more members acting together have) the right to a share of more than half the assets, or of more than half the income, of the partnership.

(6) In this section any reference to a member of the club includes a reference to a person connected with a member of the club.

(7) For the purposes of subsection (2)(a), the Treasury may by regulations specify—

(a) descriptions of expenditure which is to be treated as employment expenditure incurred in respect of the employment of a member of a club;

(b) descriptions of expenditure which is not to be so treated.

(8) Section 1171(4) (orders and regulations subject to negative resolution procedure) does not apply to any regulations made under subsection (7) if a draft of the statutory instrument containing them has been laid before, and approved by a resolution of, the House of Commons."

(8) Chapter 9 of Part 13 of that Act (other special types of company: community amateur sports clubs) is amended in accordance with subsections (9) to (12).

(9) After section 661D (but before the italic heading) insert—

"**661E Tax treatment of gifts of money from companies**

If a registered club receives a gift of a sum of money from a company which is not a charity, the gift is treated as an amount in respect of which the registered club is chargeable to corporation tax, under the charge to corporation tax on income."

(10) In section 664 (exemption for interest and gift aid income)—

(a) in subsection (1), omit the "and" after paragraph (a) and after paragraph (b) insert ", and

(c) its company gift income for that period,",

(b) in that subsection, for "and gift aid income" substitute " , gift aid income and company gift income ", and

(c) in subsection (3), after "this section—" insert—

""company gift income", in relation to a club, means gifts of money made to the club by companies which are not charities,".

(11) In section 665A (claims in relation to interest and gift aid income), in subsection (1)(b) for "and gift aid" substitute " , gift aid and company gift ".

(12) Accordingly—

(a) in the italic heading before section 661D, omit "*qualifying for gift aid relief*",

(b) in the heading for section 664, for "**and gift aid**" substitute " **, gift aid and company gift** "

(c) in the heading for section 665A, for "**and gift aid**" substitute " **, gift aid and company gift** ".

(13) The amendments made by this section have effect in relation to payments made on or after 1 April 2014.

(14) But the amendments made by subsections (1) to (7) are to be ignored for the purposes of section 199 of CTA 2010 (payment attributed to earlier accounting period) if the claim mentioned in subsection (1)(c) of that section is in respect of an accounting period ending before 1 April 2014.

(15) The earlier accounting periods mentioned in section 202B(3) of CTA 2010 (see subsection (7) of this section) do not include any accounting period ending before 1 April 2014.

36 Tax relief for theatrical production

Schedule 4 contains provision about relief in respect of theatrical productions.

37 Changes in company ownership

(1) Part 14 of CTA 2010 (change in company ownership) is amended as follows.

(2) In section 688 (meaning of "significant increase in the amount of a company's capital"), in subsection (2), for paragraph (b) and the "or" before it substitute ", and

(b) is at least 125% of amount A."

(3) In section 723 (changes in indirect ownership), in subsection (1), after "section 724" insert " or 724A ".

(4) After section 724 insert—

"**724A Disregard of change in parent company**

(1) Where a new company ("N") acquires all the issued share capital of another company ("C"), the resulting ownership change is disregarded for the purposes of Chapters 2 to 6 if, immediately after that acquisition ("the acquisition"), N—

(a) possesses all of the voting power in C,

(b) is beneficially entitled to 100% of any profits available for distribution to equity holders of C,

(c) would be beneficially entitled to 100% of any assets of C available for distribution to its equity holders in the event of a winding up of C or in any other circumstances, and

(d) meets the continuity requirements.

(2) "The resulting ownership change" means the change in the ownership of C by reason of Condition A in section 719 being met in relation to the acquisition.

(3) A company is "new" if, before the acquisition, it has neither—

(a) issued any shares other than subscriber shares, nor

(b) begun to carry on any trade or business.

(4) N meets the continuity requirements if, and only if—

(a) the consideration for the acquisition consists only of the issue of shares in N to the shareholders of C,

(b) immediately after the acquisition, each person who immediately before the acquisition was a shareholder of C is a shareholder of N,

(c) immediately after the acquisition, the shares in N are of the same classes as were the shares in C immediately before the acquisition,

(d) immediately after the acquisition, the number of shares of any particular class in N bears to all the shares in N the same proportion, or as nearly as may be the same proportion, as the number of shares

of that class in C bore to all the shares in C immediately before the acquisition, and

(e) immediately after the acquisition, the proportion of shares of any particular class in N held by any particular shareholder is the same, or as nearly as may be the same, as the proportion of shares of that class in C held by that shareholder immediately before the acquisition.

(5) For the purposes of this section, N is treated as acquiring all the issued share capital of C for consideration consisting only of the issue of shares in N to the shareholders of C if, as a result of a scheme of reconstruction involving the cancellation of all shares in C and the issue of shares in N—

(a) N holds all the issued share capital of C by reason of that share capital being issued to N by C, and

(b) only shares in N are issued to the persons who were shareholders of C immediately before the shares in C were cancelled.

(6) In a case within subsection (5), subsection (4) applies as if any reference to immediately before the acquisition were a reference to immediately before the shares in C were cancelled.

(7) "Scheme of reconstruction" means a scheme carried out in pursuance of a compromise or arrangement—

(a) to which Part 26 of the Companies Act 2006 (arrangements and reconstructions) applies, or

(b) under any corresponding provision of the law of a country or territory outside the United Kingdom.

(8) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsection (1)(b) and (c) as it applies for the purposes of section 151(4)."

(5) In section 726 (interpretation of Chapter), after "acquisition" insert " and shareholder ".

(6) The amendments made by this section have effect in relation to any change of ownership which occurs on or after 1 April 2014.

38 Transfer of deductions: research and development allowances

(1) In section 730B(1) of CTA 2010 (interpretation of transfer of deductions provisions), in paragraph (a) of the definition of "deductible amount" after "trade," insert " other than an amount treated as such an expense by section 450(a) of CAA 2001 (research and development allowances treated as expenses in calculating profits of a trade), ".

(2) The amendment made by this section has effect in relation to a qualifying change if the relevant day is on or after 1 April 2014.

39 Tax treatment of financing costs and income

(1) Chapter 10 of Part 7 of TIOPA 2010 (tax treatment of financing costs and income: interpretation) is amended as follows.

(2) In section 345 (meaning of "UK group company" and "relevant group company"), for subsection (7) substitute—

"(7) Chapter 6 of Part 5 of CTA 2010 (equity holders and profits or assets available for distribution) and Chapter 3 of Part 24 of that Act (subsidiaries) apply for the purposes of subsection (6), subject to subsections (8) and (9).

(8) Sections 169 to 182 of CTA 2010 do not apply.

(9) In applying the remaining provisions of those Chapters for the purposes of subsection (6), they are to be read with all modifications necessary to ensure that—

(a) they apply to a company or other body corporate which does not have share capital, and to holders of corresponding ordinary holdings in such a company or body, in a way which corresponds to the way they apply to companies with ordinary share capital and holders of ordinary shares in such companies,

(b) they apply in relation to ownership through an entity (other than a body corporate), or any trust or other arrangement, in a way which corresponds to the way they apply to ownership through a company or other body corporate, and

(c) for the purposes of achieving paragraphs (a) and (b), profits or assets are attributed to holders of corresponding ordinary holdings in entities, trusts or other arrangements in a manner which corresponds to the way profits or assets are attributed to holders of ordinary shares in a company.

(10) In this section "corresponding ordinary holding" in an entity, trust or other arrangement means a holding or interest which provides the holder with economic rights corresponding to those provided by a holding of ordinary shares in a company."

(3) In section 353A (effect of Part 7 on parties to capital market arrangements), in subsection (4), before paragraph (a) insert—

"(za) the conditions that must be met for an election to be made;".

(4) The amendment made by subsection (2) has effect in relation to periods of account of the worldwide group starting on or after 5 December 2013.

40 Determination of beneficial entitlement for purposes of group relief

(1) CTA 2010 is amended as follows.

(2) In section 169 (interpretation of provisions to determine proportion of beneficial entitlement)—

(a) in subsection (2), for the definition of "arrangements" substitute—

""arrangements"—

(a) means arrangements of any kind (whether or not in writing), but

(b) does not include a condition or requirement imposed by, or agreed with, a Minister of the Crown, the Scottish Ministers, a Northern Ireland department or a statutory body,", and

(b) after that subsection insert—

"(3) In subsection (2) "statutory body" means a body (other than a company as defined by section 1(1) of the Companies Act 2006) established by or under a statutory provision for the purpose of carrying out functions conferred on it by or under a statutory provision, except that the Treasury may, by order, specify that a body is or is not to be a statutory body for this purpose."

(3) In section 188 (other definitions for Part 5), in subsection (1), in the definition of "company" for "section 156(2A)" substitute " sections 156(2A) and 169(3) ".

(4) The amendments made by this section have effect in relation to accounting periods ending on or after 1 January 2015.

CHAPTER 4

OTHER PROVISIONS

Pensions

41 Pension flexibility: drawdown

(1) In section 165(1) of FA 2004 (rules about payment of pension by registered scheme to member) in pension rule 5 (payments of drawdown pension in a year not to exceed 120% of basis amount for year) for "120%" substitute " 150% ".

(2) In section 167(1) of FA 2004 (rules about payment of pension death benefits by registered scheme in respect of member) in pension death benefit rule 4 (payments of dependants' drawdown pension not to exceed 120% of basis amount for year) for "120%" substitute " 150% ".

(3) In paragraph 14A(2) of Schedule 28 to FA 2004 (amount of minimum income requirement for flexible drawdown by member) for "£20,000" substitute " £12,000 ".

(4) In paragraph 24C(2) of Schedule 28 to FA 2004 (amount of minimum income requirement for flexible drawdown by dependant) for "£20,000" substitute " £12,000 ".

(5) In consequence of subsections (1) and (2), in FA 2013 omit section 50(1) and (2).

(6) The amendments made by subsections (1), (2) and (5) have effect in relation to pension drawdown years beginning on or after 27 March 2014.

(7) The amendment made by subsection (3) has effect in relation to declarations made under section 165(3A) of FA 2004 on or after 27 March 2014.

(8) The amendment made by subsection (4) has effect in relation to declarations made under section 167(2A) of FA 2004 on or after 27 March 2014.

42 Pension flexibility: taking low-value pension rights as lump sum

(1) In paragraph 7(4) of Schedule 29 to FA 2004 (amount of commutation limit for purposes of trivial commutation lump sum) for "£18,000" substitute " £30,000 ".

(2) In paragraph 8 of Schedule 29 to FA 2004 (value of crystallised pension rights for trivial commutation purposes)—

(a) in sub-paragraph (1)(a) omit ", as adjusted under sub-paragraph (2)",

(b) in sub-paragraph (1)(b) omit ", as adjusted under sub-paragraph (3)", and

(c) omit sub-paragraphs (2) and (3), as originally enacted and as substituted by FA 2013.

(3) In consequence of subsection (1), in FA 2011 omit paragraph 4(2) of Schedule 18.

(4) In consequence of subsection (2)(c), in FA 2013 omit paragraph 8(4) of Schedule 22.

(5) In article 23C(4) of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572) (modifications of Schedule 29 to FA 2004) in the inserted paragraph 7A(1)(a) (limit at or below which additional sums can be trivial commutation lump sums) for "£2,000" substitute " £10,000 ".

(6) In the Registered Pension Schemes (Authorised Payments) Regulations 2009 (S.I. 2009/1171)—

(a) in each of regulations 6(1)(b), 8(1)(a), 11(1)(c), 11A(1)(b) and 12(1)(e) (limit at or below which certain payments by registered pension scheme can be authorised payments) for "£2,000" substitute " £10,000 ",

(b) in regulation 10(3)(b) (certain payments by registered pension scheme which can be authorised payments if value of member's pension rights is not more than £18,000) for "£18,000" substitute " £30,000 ",

(c) in regulation 11(1)(d) (upper limit on total value of member's benefits under the scheme which would make the payment and all related schemes) for "£2,000" substitute " £10,000 ",

(d) in regulation 11A(2) (may not be more than one previous payment under regulation 11A) for "one payment" substitute " two payments ", and

(e) in regulation 12(4) (certain payments by registered pension scheme can be authorised payments only if property held in respect of at least 20 members exceeds £2,000) for "£2,000" substitute " £10,000 ".

(7) In consequence of subsection (6)(b), in the Registered Pension Schemes (Miscellaneous Amendments) Regulations 2011 (S.I. 2011/1751) omit regulation 8(4).

(8) The amendments made by subsections (1) to (4) have effect for commutation periods beginning on or after 27 March 2014 and do so irrespective of whether the nominated date is before, on or after 27 March 2014.

(9) The amendment made by subsection (5)—

(a) has effect for lump sums paid on or after 27 March 2014, and

(b) is to be treated as having been made by the Treasury under the powers to make orders conferred by section 283(2) of FA 2004.

(10) The amendments made by subsections (6) and (7) have effect for payments made on or after 27 March 2014.

(11) The amendments made by subsection (6) are to be treated as having been made by the Commissioners for Her Majesty's Revenue and Customs under the powers to make regulations conferred by section 164(1)(f) and (2) of FA 2004.

43 Pension flexibility: further amendments

Schedule 5 makes further provision in connection with pension flexibility.

44 Transitional provision for new standard lifetime allowance for 2014-15 etc

Schedule 6 contains transitional provision in relation to the new standard lifetime allowance for the tax year 2014-15 etc.

45 Taxable specific income: effect on pension input amount for non-UK schemes

(1) Schedule 34 to FA 2004 (application of certain charges to non-UK pension schemes) is amended as follows.

(2) In paragraph 10 (pension input amount for cash balance and defined benefits arrangements), for sub-paragraph (2) substitute—

"(2) The appropriate fraction is—

$$\frac{TE + TSI}{EI}$$

where—

EI is the total amount of employment income of the individual from any relevant employment or employments for the tax year, excluding any such income which is exempt income (within the meaning of section 8 of ITEPA 2003),

TE is so much of EI as constitutes taxable earnings from any such employment (within the meaning of section 10(2) of that Act), and

TSI is so much of EI as constitutes taxable specific income from any such employment (within the meaning of section 10(3) to (5) of that Act)."

(3) In paragraph 11 (pension input amount for other money purchase arrangements), for sub-paragraph (2) substitute—

"(2) The appropriate fraction is—

$$\frac{TE + TSI}{EI}$$

where—

EI is the total amount of employment income of the individual from any employment or employments with the employer for the tax year, excluding any such income which is exempt income (within the meaning of section 8 of ITEPA 2003),

TE is so much of EI as constitutes taxable earnings from any such employment (within the meaning of section 10(2) of that Act), and

TSI is so much of EI as constitutes taxable specific income from any such employment (within the meaning of section 10(3) to (5) of that Act)."

(4) The amendments made by this section have effect for the tax year 2014-15 and subsequent tax years.

46 Pension schemes

Schedule 7 makes provision in relation to pension schemes.

Sporting events

47 Glasgow Grand Prix

(1) An accredited competitor who performs a Grand Prix activity is not liable to income tax in respect of any income arising from the activity if the non-residence condition is met.

(2) The following are Grand Prix activities—

(a) competing at the Glasgow Grand Prix, and

(b) any activity that is performed during the games period the main purpose of which is to support or promote the Glasgow Grand Prix.

(3) The non-residence condition is that—

(a) the accredited competitor is non-UK resident for the tax year 2014-15, or

(b) the accredited competitor is UK resident for the tax year 2014-15 but the year is a split year as respects the competitor and the activity is performed in the overseas part of the year.

(4) Section 966 of ITA 2007 (deduction of sums representing income tax) does not apply to any payment or transfer which gives rise to income benefiting from the exemption under subsection (1).

(5) In this section—

"accredited competitor" means a person to whom an accreditation card in the athletes' category has been issued by the company named UK Athletics Limited which was incorporated on 16 December 1998;

"the games period" means the period—

(a) beginning with 5 July 2014, and

(b) ending with 14 July 2014;

"the Glasgow Grand Prix" means the Glasgow Grand Prix athletics event held at Hampden Park Stadium in Glasgow in July 2014;

"income" means employment income or profits of a trade, profession or vocation (including profits treated as arising as a result of section 13 of ITTOIA 2005).

(6) This section is treated as having come into force on 6 April 2014.

48 Major sporting events: power to provide for tax exemptions

(1) Where a major sporting event is to be held in the United Kingdom, the Treasury may make regulations providing for exemption from income tax and corporation tax in relation to the event.

(2) The regulations may, in particular—

(a) exempt specified classes of person, income or activity from income tax;

(b) exempt specified classes of person, profit, income or activity from corporation tax;

(c) provide for specified classes of activity to be disregarded in determining for fiscal purposes whether a person has a permanent establishment in the United Kingdom;

(d) disapply a duty on a person to deduct a sum representing income tax before making a payment.

(3) The regulations may specify classes of person wholly or partly by reference to—

(a) residence outside the United Kingdom, determined in accordance with the regulations;

(b) documents issued or authority given by persons exercising functions in connection with the sporting event.

(4) Regulations under this section—

(a) may apply (with or without modifications) or disapply any enactment,

(b) may modify, amend, repeal or revoke any enactment,

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

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

(5) Regulations under this section may not be made unless a draft of the instrument containing them has been laid before, and approved by a resolution of, the House of Commons.

(6) In this section, "enactment" includes an enactment contained in subordinate legislation (within the meaning of the Interpretation Act 1978), and includes an enactment whenever passed or made.

Employee share schemes

49 Share incentive plans: increases in maximum annual awards etc

(1) Schedule 2 to ITEPA 2003 (share incentive plans) is amended as follows.

(2) In paragraph 35(1) (free shares: maximum annual award) for "£3,000" substitute " £3,600 ".

(3) In paragraph 46(1) (partnership shares: maximum amount of deductions from employee's salary) for "£1,500" substitute " £1,800 ".

(4) The amendments made by this section are treated as having come into force on 6 April 2014.

50 Share incentive plans: power to adjust maximum annual awards etc

(1) Schedule 2 to ITEPA 2003 (share incentive plans) is amended as follows.

(2) In paragraph 35 (free shares: maximum annual award) after sub-paragraph (2) insert—

"(2A) The Treasury may by order amend sub-paragraph (1) by substituting for any amount for the time being specified there an amount specified in the order."

(3) In paragraph 46 (partnership shares: maximum amount of deductions from employee's salary) after sub-paragraph (5) insert—

"(6) The Treasury may by order amend sub-paragraph (1) by substituting for any amount for the time being specified there an amount specified in the order."

(4) In paragraph 60 (matching shares: maximum ratio of matching shares to partnership shares) after sub-paragraph (3) insert—

"(4) The Treasury may by order amend sub-paragraph (2) by substituting for any ratio for the time being specified there a ratio specified in the order."

51 Employee share schemes

Schedule 8 makes provision in relation to employee share schemes.

52 Employment-related securities etc

Schedule 9 contains provision relating to employment-related securities.

Investment reliefs

53 Venture capital trusts

Schedule 10 contains provision about venture capital trusts.

54 Removing time limit on seed enterprise investment scheme relief

(1) Section 257A of ITA 2007 (meaning of "SEIS relief" and commencement) is amended as follows.

(2) For subsection (3) (which limits SEIS relief to shares issued on or after 6 April 2012 but before 6 April 2017) substitute—

"(3) This Part has effect in relation to shares issued on or after 6 April 2012 only."

(3) Omit subsection (4) (which allows the Treasury to extend SEIS relief by order).

55 Removing time limit on CGT relief in respect of re-investment under SEIS

(1) In Schedule 5BB to TCGA 1992 (seed enterprise investment scheme: re-investment), in paragraph 1 (SEIS re-investment relief)—

(a) in sub-paragraph (2)(a), for "or the tax year 2013-14" substitute " or any subsequent tax year ", and

(b) in sub-paragraph (5A), in the definition of "the relevant percentage", in paragraph (b), for "the tax year 2013-14" substitute " any subsequent tax year ".

(2) Accordingly, in section 150G of TCGA 1992 (which introduces Schedule 5BB), omit "in the tax years 2012-13 and 2013-14".

56 Exclusion of incentivised electricity or heat generation activities

(1) ITA 2007 is amended as follows.

(2) In section 192 (EIS: meaning of "excluded activities")—

(a) in subsection (1), omit the "and" at the end of paragraph (ka) and after that paragraph insert—

"(kb) the subsidised generation of heat or subsidised production of gas or fuel, and", and

(b) in subsection (2), omit the "and" at the end of paragraph (f) and after paragraph (g) insert ", and

(h) section 198B (subsidised generation of heat and subsidised production of gas or fuel)."

(3) In section 198A (excluded activities: subsidised generation or export of electricity)—

(a) for subsection (3) substitute—

"(3) The generation of electricity is "subsidised" if—

(a) a person receives a FIT subsidy in respect of the electricity generated,

(b) a renewables obligation certificate is issued in connection with the generation of the electricity, or

(c) a scheme established in a territory outside the United Kingdom, and corresponding to that set out in a renewables obligation order under section 32 of the Electricity Act 1989, operates to incentivise the generation of the electricity.",

F8(b) . . . . . .

(c) in subsection (9), at the end insert—

""renewables obligation certificate" means a certificate issued under section 32B of the Electricity Act 1989 or Article 54 of the Energy (Northern Ireland) Order 2003."

(4) After that section insert—

"**198B Excluded activities: subsidised generation of heat and subsidised production of gas or fuel**

(1) This section supplements section 192(1)(kb).

(2) The generation of heat, or production of gas or fuel, is "subsidised" if a payment is made, or another incentive is given, under—

(a) a scheme established by regulations under section 100 of the Energy Act 2008 or section 113 of the Energy Act 2011 (renewable heat incentives), or

(b) a similar scheme established in a territory outside the United Kingdom,

in respect of the heat generated, or gas or fuel produced.

(3) But the generation of heat, or production of gas or fuel, is not to be taken to fall within section 192(1)(kb) if Condition A or B is met.

(4) Condition A is that the generation or production is carried on by—

(a) a community interest company,

(b) a co-operative society,

(c) a community benefit society,

(d) a NI industrial and provident society, or

(e) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.

(5) Condition B is that the plant used for the generation of the heat, or production of the gas or fuel, relies wholly or mainly on anaerobic digestion.

(6) Section 198A(9) (definitions) applies for the purposes of this section as for the purposes of section 198A."

(5) In section 303 (VCTs: meaning of "excluded activities")—

(a) in subsection (1), omit the "and" at the end of paragraph (ka) and after that paragraph insert—

"(kb) the subsidised generation of heat or subsidised production of gas or fuel, and", and

(b) in subsection (2), omit the "and" at the end of paragraph (f) and after paragraph (g) insert ", and

(h) section 309B (subsidised generation of heat and subsidised production of gas and fuel)."

(6) In section 309A (excluded activities: subsidised generation or export of electricity)—

(a) for subsection (3) substitute—

"(3) The generation of electricity is "subsidised" if—

(a) a person receives a FIT subsidy in respect of the electricity generated,

(b) a renewables obligation certificate is issued in connection with the generation of the electricity, or

(c) a scheme established in a territory outside the United Kingdom, and corresponding to that set out in a renewables obligation order under section 32 of the Electricity Act 1989, operates to incentivise the generation of the electricity.",

F9(b) . . . . . .

(c) in subsection (9), at the end insert—

""renewables obligation certificate" means a certificate issued under section 32B of the Electricity Act 1989 or Article 54 of the Energy (Northern Ireland) Order 2003."

(7) After that section insert—

"**309B Excluded activities: subsidised generation of heat and subsidised production of gas or fuel**

(1) This section supplements section 303(1)(kb).

(2) The generation of heat, or production of gas or fuel, is "subsidised" if a payment is made, or another incentive is given, under—

(a) a scheme established by regulations under section 100 of the Energy Act 2008 or section 113 of the Energy Act 2011 (renewable heat incentives), or

(b) a similar scheme established in a territory outside the United Kingdom,

in respect of the heat generated or gas or fuel produced.

(3) But the generation of heat, or production of gas or fuel, is not to be taken to fall within section 303(1)(kb) if Condition A or B is met.

(4) Condition A is that the generation or production is carried on by—

(a) a community interest company,

(b) a co-operative society,

(c) a community benefit society,

(d) a NI industrial and provident society, or

(e) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.

(5) Condition B is that the plant used for the generation of the heat, or production of the gas or fuel, relies wholly or mainly on anaerobic digestion.

(6) Section 309A(9) (definitions) applies for the purposes of this section as for the purposes of section 309A."

(8) The amendments made by subsections (2) to (4) have effect in relation to shares issued on or after the day on which this Act is passed.

(9) The amendments made by subsections (5) to (7) have effect in relation to a relevant holding issued on or after the day on which this Act is passed.

Textual Amendments

F8 S. 56(3)(b) omitted (with application in accordance with Sch. 6 para. 14 of the amending Act) by virtue of Finance Act 2015 (c. 11), **Sch. 6 para. 12(a)**

F9 S. 56(6)(b) omitted (with application in accordance with Sch. 6 para. 14 of the amending Act) by virtue of Finance Act 2015 (c. 11), **Sch. 6 para. 12(a)**

Social investment relief

57 Relief for investments in social enterprises

(1) Schedule 11 makes provision for and in connection with social investment tax relief.

(2) Schedule 12 makes provision for relief under TCGA 1992 in connection with investments in social enterprises.

Capital gains

58 Relief on disposal of private residence

(1) TCGA 1992 is amended as follows.

(2) In section 223 (relief on disposal of private residence: amount of relief)—

(a) in subsections (1) and (2)(a), for "36 months" substitute " 18 months ";

(b) omit subsections (5) and (6);

(c) in subsection (8), omit the "and" after paragraph (aa) and after that paragraph insert—

"(ab) section 225E (disposals by disabled persons or persons in care homes etc), and".

(3) After section 225D insert—

"**225E Disposals by disabled persons or persons in care homes etc**

(1) This section applies where a gain to which section 222 applies accrues to an individual and—

(a) the conditions in subsection (2) are met, or

(b) the conditions in subsection (3) are met.

(2) The conditions mentioned in subsection (1)(a) are that at the time of the disposal—

(a) the individual is a disabled person or a long-term resident in a care home, and

(b) the individual does not have any other relevant right in relation to a private residence.

(3) The conditions mentioned in subsection (1)(b) are that at the time of the disposal—

(a) the individual's spouse or civil partner is a disabled person or a long-term resident in a care home, and

(b) neither the individual nor the individual's spouse or civil partner has any other relevant right in relation to a private residence.

(4) Where this section applies, the references in section 223(1) and (2)(a) to 18 months are treated as references to 36 months.

(5) An individual is a "long-term resident" in a care home at the time of the disposal if at that time the individual —

(a) is resident there, and

(b) has been resident there, or can reasonably be expected to be resident there, for at least three months.

(6) An individual has "any other relevant right in relation to a private residence" at the time of the disposal if—

(a) at that time—

(i) the individual owns or holds an interest in a dwelling-house or part of a dwelling-house other than that in relation to which the gain accrued, or

(ii) the trustees of a settlement own or hold an interest in a dwelling-house or part of a dwelling-house other than that in relation to which the gain accrued, and the individual is entitled to occupy that dwelling-house or part under the terms of the settlement, and

(b) section 222 would have applied to any gain accruing to the individual or trustees on the disposal at that time of, or of that interest in, that dwelling house or part (or would have applied if a notice under subsection (5) of that section had been given).

(7) In the application of this section in relation to a gain to which section 222 applies by virtue of section 225 (private residence occupied under terms of settlement)—

(a) the reference in subsection (1) of this section to an individual is to the trustees of the settlement;

(b) the references in subsections (2) to (6) of this section to the individual are to the person entitled under the terms of the settlement, as mentioned in section 225.

(8) In this section—

"care home" means an establishment that provides accommodation together with nursing or personal care;

"disabled person" has the meaning given by Schedule 1A to FA 2005."

(4) The amendments made by this section have effect in relation to disposals made on or after 6 April 2014.

59 Remittance basis and split year treatment

(1) Section 12 of TCGA 1992 (non-UK domiciled individuals to whom remittance basis applies) is amended as follows.

(2) After subsection (1) insert—

"(1A) But it does not apply to foreign chargeable gains accruing to an individual in the overseas part of a split year as respects that individual, regardless of the part of the year (the overseas part or the UK part) in which the foreign chargeable gains are remitted."

(3) The amendment made by this section has effect in relation to gains accruing on or after 6 April 2013.

60 Termination of life interest and death of life tenant: disabled persons

(1) TCGA 1992 is amended as follows.

(2) In section 72 (termination of life interest on death of person entitled)—

(a) in subsection (1B)(a)(iii), for "within section 89B(1)(c) or (d)" substitute " , within the meaning given by section 89B ", and

(b) at the end insert—

"(6) An interest which is a disabled person's interest by virtue of section 89B(1)(a) or (b) of the Inheritance Tax Act 1984 is to be treated as an interest in possession for the purposes of this section."

(3) In section 73(3) (death of life tenant: exclusion of chargeable gain), for "to (5)" substitute " to (6) ".

(4) The amendments made by this section have effect in relation to deaths occurring on or after 5 December 2013.

61 Capital gains roll-over relief: relevant classes of assets

(1) Section 155 of TCGA 1992 (relevant classes of assets) is amended as follows.

(2) After the heading "CLASS 7A" insert—

"Assets within heads A and B below.

Head A"

(3) Before the heading "CLASS 8" insert—

"Head B

Payment entitlements under the basic payment scheme (that is, the scheme of income support for farmers in pursuance of Regulation (EU) No 1307/2013 of the European Parliament and of the Council)."

(4) The amendments made by this section have effect where the disposal of the old assets (or an interest in them) or the acquisition of the new assets (or an interest in them) is on or after 20 December 2013.

62 Capital gains roll-over relief: intangible fixed assets

(1) In section 156ZB of TCGA 1992 (intangible fixed assets: interaction with relief under Chapter 7 of Part 8 of CTA 2009), in subsection (1), for "This section" substitute " Subsection (2) ".

(2) In Chapter 14 of Part 8 of CTA 2009 (intangible fixed assets: miscellaneous provisions), after section 870 insert—

"Roll-over relief under TCGA 1992

870A Claims for relief made under sections 152 and 153 of TCGA 1992

(1) Subsection (2) applies where—

(a) a company has made a claim for relief under section 152 or 153 of TCGA 1992 (roll-over relief) during the period beginning with 1 April 2009 and ending with 19 March 2014, and

(b) the relief claimed relates to disposal proceeds that are applied in acquiring an intangible fixed asset within the meaning of this Part.

(2) The company is treated for the purposes of this Part as if the cost of the asset recognised for tax purposes were reduced on 19 March 2014 by the amount in respect of which the relief under section 152 or 153 of TCGA 1992 is given.

(3) But the effect of subsection (2) must not be to reduce the tax written-down value of the asset to below nil.

(4) The references to adjustments in sections 742(3) and 743(3) (assets written down) include any adjustment required by subsection (2).”

(3) The amendment made by subsection (1) has effect in relation to claims for relief under section 152 or 153 of TCGA 1992 made on or after 19 March 2014.

(4) The amendment made by subsection (2) has effect in relation to accounting periods beginning on or after 19 March 2014.

(5) For the purposes of subsection (4), an accounting period beginning before, and ending on or after, 19 March 2014 is to be treated as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods.

63 Avoidance involving losses

(1) In section 184G of TCGA 1992 (avoidance involving losses: schemes converting income to capital)—

(a) for subsections (2) and (3) substitute—

“(2) Condition A is that a receipt or other amount arises to a company directly or indirectly in consequence of, or otherwise in connection with, any arrangements.

(3) Condition B is that—

(a) that amount falls to be taken into account in calculating a chargeable gain (the “relevant gain”) which accrues to a company (“the relevant company”), and

(b) losses accrue (or have accrued) to the relevant company (whether before or after or as part of the arrangements).”, and

(b) in subsection (4), for “the receipt” substitute “ the amount mentioned in subsection (2) ”.

(2) In section 184H of that Act (avoidance involving losses: schemes securing deductions)—

(a) in subsection (2)(b), omit “on any disposal of any asset”,

(b) for subsection (3) substitute—

“(3) Condition B is that the relevant company, or a company connected with the relevant company, becomes entitled to an income deduction directly or indirectly in consequence of, or otherwise in connection with, the arrangements.”,

(c) in subsection (4), for paragraph (a) substitute—

“(a) that income deduction, and”, and

(d) in subsection (10), after the definition of “arrangements” insert—

““income deduction” means—

(a) a deduction in calculating income for corporation tax purposes, or
(b) a deduction from total profits,".

(3) The amendments made by this section have effect—
(a) in relation to arrangements entered into on or after 30 January 2014, and
(b) in relation to arrangements entered into before that date but only to the extent that any chargeable gain accrues on a disposal which occurs on or after that date.

Capital allowances

64 Extension of capital allowances

(1) Part 2 of CAA 2001 (plant and machinery allowances) is amended as follows.

(2) In section 45D (expenditure on cars with low carbon dioxide emissions), after subsection (1) insert—

"(1A) The Treasury may by order amend subsection (1)(a) so as to extend the period specified."

(3) In section 45DA (expenditure on zero-emission goods vehicles), after subsection (1) insert—

"(1A) The Treasury may by order amend subsection (1)(a) so as to extend the period specified."

(4) In section 45E (expenditure on plant or machinery for gas refuelling station), after subsection (1) insert—

"(1A) The Treasury may by order amend subsection (1)(a) so as to extend the period specified."

(5) In section 45K (expenditure on plant and machinery for used in designated assisted areas)—
(a) in subsection (1), in paragraph (b) for "5 years" substitute " 8 years ", and
(b) after that subsection insert—

"(1A) The Treasury may by order amend subsection (1)(b) so as to extend the period specified."

65 General Block Exemption Regulation

Schedule 13 makes provision in relation to Commission Regulation (EU) No 651/2014 (General block exemption Regulation).

66 Business premises renovation allowances

(1) Section 360B of CAA 2001 (business premises renovation allowances: meaning of "qualifying expenditure") is amended in accordance with subsections (2) to (6).

(2) For subsection (1) substitute—

"(1) In this Part "qualifying expenditure" means capital expenditure incurred before the expiry date—

(a) in respect of which Conditions A and B are met, and

(b) which is not excluded by subsection (3), (3B) or (3D)."

(3) After subsection (2) insert—

"(2A) Condition A is that the expenditure is incurred on—

(a) the conversion of a qualifying building into qualifying business premises,

(b) the renovation of a qualifying building if it is or will be qualifying business premises, or

(c) repairs to a qualifying building or, where the building is part of a building, to the building of which the qualifying building forms part, to the extent that the repairs are incidental to expenditure within paragraph (a) or (b).

(2B) Condition B is that the expenditure is incurred on—

(a) building works,

(b) architectural or design services,

(c) surveying or engineering services,

(d) planning applications, or

(e) statutory fees or statutory permissions.

(2C) But Condition B is treated as met in respect of expenditure incurred on matters not mentioned in that Condition to the extent that that expenditure (in total) does not exceed 5% of the qualifying expenditure incurred on the matters mentioned in subsection (2B)(a) to (c)."

(4) In subsection (3)—

(a) for "not qualifying expenditure" substitute " excluded ", and

(b) in paragraph (d), for "as defined by section 173(1)" substitute " (as defined by section 173(1)) and falls within subsection (3A) ".

(5) After that subsection insert—

"(3A) The fixtures which fall within this subsection are—

(a) integral features within the meaning of section 33A (taking account of section 33A(6) and any provision for the time being made under section 33A(7)) or part of such a feature;

(b) automatic control systems for opening and closing doors, windows and vents;

(c) window cleaning installations;

(d) fitted cupboards and blinds;

(e) protective installations such as lightning protection, sprinkler and other equipment for containing or fighting fires, fire alarm systems and fire escapes;

(f) building management systems;

(g) cabling in connection with telephone, audio-visual data installations and computer networking facilities, which are incidental to the occupation of the building;

(h) sanitary appliances, and bathroom fittings which are hand driers, counters, partitions, mirrors or shower facilities;

(i) kitchen and catering facilities for producing and storing food and drink for the occupants of the building;

(j) signs;

(k) public address systems;

(l) intruder alarm systems.

(3B) Expenditure is excluded if, and to the extent that, it exceeds the market value amount for the works, services or other matters to which it relates.

(3C) "The market value amount" means the amount of expenditure which it would have been normal and reasonable to incur on the works, services or other matters—

(a) in the market conditions prevailing when the expenditure was incurred, and

(b) assuming the transaction as a result of which the expenditure was incurred was between persons dealing with each other at arm's length in the open market.

(3D) Expenditure is excluded if the qualifying building was used at any time during the period of 12 months ending with the day on which the expenditure is incurred."

(6) In subsection (5), after "regulations" insert "—

(a) amend this section so as to add a description of fixture to the list in subsection (3A), or vary or remove a description of fixture in that list;

(b)"

(7) After that section insert—

"**360BA Expenditure not treated as qualifying expenditure if delay in carrying out works etc**

(1) This section applies where—

(a) (ignoring this section) qualifying expenditure is incurred on works, services or other matters in a chargeable period, and

(b) those works, services or other matters are not completed or provided before the end of the period of 36 months beginning with the date the expenditure was incurred.

(2) To the extent that it relates to so much of those works, services or other matters as are not completed or provided before the end of that period, the expenditure is to be treated for the purposes of this Part as never having been incurred (unless and until subsection (6) applies).

(3) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (2).

(4) If a person who has made a tax return becomes aware that, after making it, anything in it has become incorrect because of the operation of this section, the person must give notice to an officer of Revenue and Customs specifying how the return needs to be amended.

(5) The notice must be given within 3 months beginning with the day on which the person first became aware that anything in the return had become incorrect because of the operation of this section.

(6) If, at any time after the end of the period mentioned in subsection (1)(b), those works, services or other matters are completed or provided, the expenditure to which subsection (2) applies is to be treated for the purposes of this Part as incurred at that time."

(8) For section 360L of that Act (grants affecting entitlement to allowances) substitute—

"**360L Grants affecting entitlement to allowances**

(1) No initial allowance or writing-down allowance under this Part is to be made in respect of qualifying expenditure in respect of a qualifying building if a relevant grant or relevant payment is made towards—

(a) that expenditure, or

(b) any other expenditure which is incurred by any person in respect of the same building, and on the same single investment project as that expenditure.

(2) An initial allowance or writing-down allowance made in respect of qualifying expenditure is to be withdrawn if—

(a) after it is made, a relevant grant or relevant payment is made towards that expenditure, or

(b) within the period of 3 years beginning when that expenditure was incurred, a relevant grant or relevant payment is made towards any other expenditure which is incurred by any person in respect of the same building, and on the same single investment project, as that expenditure.

(3) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (2).

(4) If a person who has made a return becomes aware that, after making it, anything in it has become incorrect because of the operation of this section, that person must give notice to an officer of Revenue and Customs specifying how the return needs to be amended.

(5) The notice must be given within 3 months beginning with the day on which the person first became aware that anything in the return had become incorrect because of the operation of this section.

(6) In this section—

"General Block Exemption Regulation" means Commission Regulation (EU) No 651/2014 (General block exemption Regulation);

"relevant grant or relevant payment" means a grant or payment which is—

(a) a State aid, other than an allowance under this Part, or

(b) a grant or subsidy, other than a State aid, which the Treasury by order declares to be relevant for the purposes of the withholding of allowances under this Part;

"single investment project" has the same meaning as in the General Block Exemption Regulation.

(7) Nothing in this section limits references to "State aid" to State aid which is required to be notified to and approved by the European Commission.

(8) The Treasury may by order amend this section to make provision consequential upon the General Block Exemption Regulation being replaced by another instrument."

(9) In section 360M of that Act (when balancing adjustments are made), in subsection (4) for "7" substitute " 5 ".

(10) Subject to subsection (11), the amendments made by this section have effect for expenditure incurred on or after the specified day.

(11) Section 360L of CAA 2001 (inserted by subsection (8)) has effect—

(a) in relation to a relevant grant or relevant payment made at any time (whether before or on or after the specified day) towards expenditure incurred on or after that day, and

(b) in relation to a relevant grant or relevant payment made on or after the specified day towards expenditure incurred before that day.

(12) "The specified day" means—

(a) for income tax purposes, 6 April 2014, and

(b) for corporation tax purposes, 1 April 2014.

(13) In the application of section 360L of CAA 2001 in relation to expenditure incurred before the day on which this Act is passed, the definition of "General Block Exemption Regulation" in subsection (6) of that section is to be treated as referring to Commission Regulation (EC) No 800/2008.

67 Mineral extraction allowances: activities not within charge to tax

(1) CAA 2001 is amended as follows.

(2) In section 394(2) (meaning of mineral extraction trade), after "deposits" insert " but to the extent only that the profits or gains from that trade are, or (if there were any) would be, chargeable to tax ".

(3) In section 399 (expenditure excluded from being qualifying expenditure), after subsection (1) insert—

"(1A) Expenditure incurred by a person for the purposes of a mineral extraction trade is not qualifying expenditure if—

(a) when the expenditure is incurred, the person is carrying on the trade but the trade is not at that time a mineral extraction trade, or

(b) the person has not begun to carry on the trade when the expenditure is incurred and, when the person begins to carry on the trade, the trade is not a mineral extraction trade.

(1B) Section 577(2) (references to commencement etc of a trade) does not apply to subsection (1A)."

(4) In section 160 (expenditure treated as incurred for purposes of mineral extraction trade)—

(a) the existing text becomes subsection (1), and

(b) after that subsection insert—

"(2) Subsection (1) does not apply to expenditure if—

(a) when it is incurred, the person is carrying on the trade but the trade is not at that time a mineral extraction trade, or

(b) when it is incurred, the person has not begun to carry on the trade and, when the person begins to carry on the trade, the trade is not a mineral extraction trade.

(3) Section 577(2) (references to commencement etc of a trade) does not apply to subsection (2)."

(5) For section 161(4)(a) (pre-trading expenditure on plant or machinery for mineral exploration and access), substitute—

"(a) pre-trading expenditure" means capital expenditure incurred before the day on which a person begins to carry on a trade that is a mineral extraction trade, but only if there is no prior time when the person carried on that trade and the trade was not a mineral extraction trade,".

(6) After section 161(4) insert—

"(4A) Section 577(2) (references to commencement etc of a trade) does not apply to subsection (4)(a)."

(7) After section 431 (discontinuance of trade) insert—

"**431A Foreign permanent establishment exemption**

(1) Subsection (2) applies if—

(a) an election under section 18A of CTA 2009 has effect in relation to a company, and

(b) the company carries on any trade which consists of, or includes, the working of a source of mineral deposits.

(2) That trade so far as carried on through one or more permanent establishments outside the United Kingdom is treated for the purposes of this Part as a trade—

(a) separate from any other trade of the company, and

(b) all the profits and gains from which are not, or (if there were any) would not be, chargeable to tax.

431B Disposal value: no allowance/no charge cases

(1) If—

(a) an election under section 18A of CTA 2009 has effect in relation to a company, and

(b) the operation of sections 431A and 421(1)(b)(ii) and (2) requires the company to bring the disposal value of an asset into account,

the disposal value is such an amount as gives rise to neither a balancing allowance nor a balancing charge.

(2) Subsection (1) does not apply if—

(a) the company's qualifying expenditure in respect of the asset exceeds £5 million,

(b) the company has claimed any capital allowance in respect of any of that expenditure, and

(c) the company has, at any time in a relevant accounting period, used the asset otherwise than for the purposes of a permanent establishment outside the United Kingdom.

(3) In subsection (2)(c) "relevant accounting period" means an accounting period ending before, but ending not more than 6 years before, "the relevant day" as defined by section 18F of CTA 2009.

431C Notional allowances

(1) Subsection (2) applies if—

(a) an election under section 18A of CTA 2009 has effect in relation to a company, and

(b) but for section 18A of CTA 2009 and section 431A(2)(b), an allowance under this Part ("the notional allowance") could be claimed under section 3(1) in respect of assets provided for the purposes of a permanent establishment outside the United Kingdom through which business is or has been carried on by the company.

(2) The notional allowance (and any charge in connection with it which would have arisen if the allowance had been claimed) is to be made automatically and reflected in any calculation, for any relevant accounting period of the company, of the profits or losses attributable to business carried on by the company through such a permanent establishment.

(3) Subsection (4) applies if, at the time an election under section 18A of CTA 2009 takes effect in relation to a company, the company is, by reason of sections 431A and 421(1)(b)(ii) and (2), required to bring into account the disposal value of any asset provided for the purposes of a foreign permanent establishment through which business is or has been carried on by the company.

(4) For the purposes of subsections (1) and (2), the company is treated as having incurred at that time, for the purposes of the trade mentioned in section 431A(2), qualifying expenditure of an amount equal to that disposal value.

(5) In subsection (2) "relevant accounting period", in relation to a company by which an election under section 18A of CTA 2009 is made, means an accounting period of the company to which the election applies (as to which see section 18F of that Act)."

(8) The amendments made by subsections (1) to (6) of this section have effect—

(a) for the purposes of corporation tax, in relation to claims made on or after 1 April 2014, and

(b) for the purposes of income tax, in relation to claims made on or after 6 April 2014,

and in relation to those claims the amendments are treated as always having had effect.

(9) The amendment made by subsection (7) has effect in relation to elections under section 18A of CTA 2009 which start to have effect on or after 1 April 2014.

68 Mineral extraction allowances: expenditure on planning permission

(1) Part 5 of CAA 2001 (mineral extraction allowances) is amended as follows.

(2) In section 396 (meaning of "mineral exploration and access"), in subsection (2) for "if planning permission is not granted" substitute " and not as expenditure on acquiring a mineral asset ".

(3) In section 398 (relationship between main types of qualifying expenditure), after "Subject to" insert " section 396(2) and ".

(4) The amendments made by this section have effect in relation to expenditure incurred on or after the day on which this Act is passed.

Oil and gas

F10 69 Extended ring fence expenditure supplement for onshore activities

. . . . . .

Textual Amendments

F10 S. 69 repealed (with effect in accordance with Sch. 11 para. 14 of the amending Act) by Finance Act 2015 (c. 11), **Sch. 11 para. 13(2)**

70 Supplementary charge: onshore allowance

Schedule 15 contains provision about the reduction of adjusted ring fence profits by means of an onshore allowance.

71 Oil and gas: reinvestment after pre-trading disposal

(1) In Chapter 2 of Part 6 of TCGA 1992 (oil and mineral industries), after section 198I insert—

"**198J Oil and gas: reinvestment after pre-trading disposal**

(1) This section applies if a company which is an E&A company makes a disposal of, or of the company's interest in, relevant E&A assets and that disposal is—

(a) a disposal of, or of an interest in, a UK licence which relates to an undeveloped area, or

(b) a disposal of an asset used in an area covered by a licence under Part 1 of the Petroleum Act 1998 or the Petroleum (Production) Act (Northern Ireland) 1964 which authorises the company to undertake E&A activities.

(2) If—

(a) the consideration which the company obtains for the disposal is applied by the company, within the permitted reinvestment period—

(i) on E&A expenditure at a time when the company is an E&A company, or

(ii) on oil assets taken into use, and used only, for the purposes of a ring fence trade carried on by it, and

(b) the company makes a claim under this subsection in relation to the disposal,

any gain accruing to the company on the disposal is not a chargeable gain.

(3) If part only of the amount or value of the consideration for the disposal is applied as described in subsection (2)(a)—

(a) subsection (2) does not apply, but

(b) subsection (4) applies if all of the amount or value of the consideration is so applied except for a part which is less than the amount of the gain (whether all chargeable gain or not) accruing on the disposal.

(4) If the company makes a claim under this subsection in relation to the disposal, the company is to be treated for the purposes of this Act as if the amount of the gain accruing on the disposal were reduced to the amount of the part mentioned in subsection (3)(b) (and, if not all chargeable gain, with a proportionate reduction in the amount of the chargeable gain).

(5) The incurring of expenditure is within "the permitted reinvestment period" if the expenditure is incurred in the period beginning 12 months before and ending 3 years after the disposal, or at such earlier or later time as the Commissioners for Her Majesty's Revenue and Customs may by notice allow.

(6) Subsections (6), (7), (10) and (11) of section 152 apply for the purposes of this section as they apply for the purposes of section 152, except that—

(a) in subsection (6) the reference to a trade is to be read as a reference to E&A activities or a ring fence trade,

(b) in subsection (7), the reference to the old assets is to be read as a reference to the assets disposed of as mentioned in subsection (1) of this section, and

(c) in subsection (7), the references to the trade are to be read as references to the E&A activities.

(7) In this section—

"E&A activities" means oil and gas exploration and appraisal in the United Kingdom or an area designated by Order in Council under section 1(7) of the Continental Shelf Act 1964;

"E&A company" means a company which carries on E&A activities and does not carry on a ring fence trade;

"E&A expenditure" means expenditure on E&A activities which is treated as such under generally accepted accounting practice;

"oil asset" has the same meaning as in section 198E, and section 198I applies for the purposes of this section as it applies for the purposes of section 198E;

"relevant E&A assets" means assets which—

(a) are used, and used only, for the purposes of E&A activities carried on by the company throughout the period of ownership, and

(b) are within the classes of assets listed in section 155 (with references to "the trade" in that section being read as references to the E&A activities);

"ring fence trade" has the meaning given by section 277 of CTA 2010;

"UK licence" means a licence within the meaning of Part 1 of the Oil Taxation Act 1975;

and a reference to a UK licence which relates to an undeveloped area has the same meaning as in section 194 (see section 196).

198K Provisional application of section 198J

(1) This section applies where a company for a consideration disposes of, or of an interest in, any assets at a time when it is an E&A company and declares, in the company's return for the chargeable period in which the disposal takes place—

(a) that the whole or any specified part of the consideration will be applied, within the permitted reinvestment period—

(i) on E&A expenditure at a time when the company is an E&A company, or

(ii) on expenditure on oil assets which are taken into use, and used only, for the purposes of the company's ring fence trade, and

(b) that the company intends to make a claim under section 198J(2) or (4) in relation to the disposal.

(2) Until the declaration ceases to have effect, section 198J applies as if the expenditure had been incurred and the person had made such a claim.

(3) The declaration ceases to have effect as follows—

(a) if and to the extent that it is withdrawn before the relevant day, or is superseded before that day by a valid claim under section 198J, on the day on which it is so withdrawn or superseded, and

(b) if and to the extent that it is not so withdrawn or superseded, on the relevant day.

(4) On the declaration ceasing to have effect in whole or in part, all necessary adjustments—

(a) are to be made by making or amending assessments or by repayment or discharge of tax, and

(b) are to be so made despite any limitation on the time within which assessments or amendments may be made.

(5) In this section "the relevant day" means the fourth anniversary of the last day of the accounting period in which the disposal took place.

(6) For the purposes of this section—

(a) sections (6), (10) and (11) of section 152 apply as they apply for the purposes of that section, except that in subsection (6) the reference to

a trade is to be read as a reference to E&A activities or a ring fence trade, and

(b) terms used in this section which are defined in section 198J have the meaning given by that section.

198L Expenditure by member of same group

(1) Section 198J applies where—

(a) the disposal is by a company which, at the time of the disposal, is a member of a group of companies (within the meaning of section 170),

(b) the E&A expenditure or expenditure on oil assets is by another company which, at the time the expenditure is incurred, is a member of the same group, and

(c) the claim under section 198J is made by both companies,

as if both companies were the same person.

(2) "E&A company", "E&A expenditure" and "oil assets" have the meaning given by section 198J."

(2) The amendment made by this section has effect in relation to disposals made on or after 1 April 2014.

72 Substantial shareholder exemption: oil and gas

(1) In Schedule 7AC to TCGA 1992 (exemption for disposals by companies with substantial shareholding), in paragraph 15A (effect of transfer of trading assets within a group), after sub-paragraph (2) insert—

"(2A) For the purposes of sub-paragraph (2)(b) and (d), "trade" includes oil and gas exploration and appraisal."

(2) The amendment made by this section has effect in relation to disposals made on or after 1 April 2014.

73 Oil contractor activities: ring-fence trade etc

Schedule 16 contains provision about the corporation tax treatment of oil contractor activities.

Partnerships

74 Partnerships

Schedule 17 makes provision in relation to partnerships.

Transfer pricing

75 Transfer pricing: restriction on claims for compensation adjustments

(1) Chapter 4 of Part 4 of TIOPA 2010 (transfer pricing: position of disadvantaged person) is amended as follows.

(2) In section 174 (claim by the affected person who is potentially advantaged), in subsection (3), before the entry for section 175 insert— " section 174A (claim not allowed in some cases where the disadvantaged person is within the charge to income tax), ".

(3) After that section insert—

"**174A Claims under section 174 where disadvantaged person within charge to income tax**

A claim under section 174 may not be made if—

(a) the disadvantaged person is a person (other than a company) within the charge to income tax in respect of profits arising from the relevant activities, and

(b) the advantaged person is a company."

(4) After section 187 insert—

"Treatment of interest where claim prevented by section 174A

187A Excess interest treated as a qualifying distribution

(1) Subsection (2) applies if Conditions A to C in section 187 are met in circumstances where section 174A prevents a claim under section 174.

(2) The interest paid under the actual provision, so far as it exceeds ALINT, is treated for the purposes of the Income Tax Acts as a dividend paid by the company which paid the interest (and, accordingly, as a qualifying distribution)."

(5) The amendments made by this section have effect in relation to any amount arising on or after 25 October 2013, except pre-commencement interest.

(6) "Pre-commencement interest" means an amount of interest to the extent that it is, in accordance with generally accepted accounting practice, referable to a period before 25 October 2013.

Status:
Point in time view as at 02/10/2015.

Changes to legislation:
Finance Act 2014, PART 1 is up to date with all changes known to be in force on or before 20 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.