



# Finance Act 2020

## 2020 CHAPTER 14

### PART 1

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

##### *Chargeable gains*

#### **23 Entrepreneurs' relief**

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

#### **24 Relief on disposal of private residence**

(1) TCGA 1992 is amended as follows.

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

(a) after subsection (5) insert—

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

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

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

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

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

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

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

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- (c) “armed forces accommodation allowance” means an allowance which is exempt from income tax by reason of section 297D of ITEPA 2003.”
- (3) In section 223 (amount of relief)—
- (a) in subsections (1) and (2)(a) for “18 months” substitute “ 9 months ”, and
  - (b) omit subsection (4).
- (4) After section 223 insert—

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

- (1) Subsection (4) below applies where—
- (a) a gain to which section 222 applies accrues to an individual on the disposal of, or of an interest in, a dwelling-house or part of a dwelling-house,
  - (b) the time at which the dwelling-house or the part of the dwelling-house first became the individual's only or main residence (“the moving-in time”) was within the first 24 months of the individual's period of ownership,
  - (c) at no time during the period beginning with the individual's period of ownership and ending with the moving-in time was the dwelling-house or the part of the dwelling-house another person's residence, and
  - (d) during the period beginning with the individual's period of ownership and ending with the moving-in time a qualifying event occurred.
- (2) The following are qualifying events—
- (a) the completion of the construction, renovation, redecoration or alteration of the dwelling-house or the part of the dwelling-house mentioned in subsection (1);
  - (b) the disposal by the individual of, or of an interest in, any other dwelling-house or part of a dwelling-house that immediately before the disposal was the individual's only or main residence.
- (3) In determining whether and, if so, when a qualifying event within subsection (2)(b) occurred, ignore section 28 (time of disposal where asset disposed of under contract).
- (4) For the purposes of subsections (1) and (2) of section 223, as they have effect in relation to the gain, the dwelling-house or the part of the dwelling-house mentioned in subsection (1) above is to be treated as having been the individual's only or main residence from the beginning of the individual's period of ownership until the moving-in time.”
- (5) After section 223A insert—

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

- (1) Where—

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- (a) a gain to which section 222 applies accrues to an individual on the disposal of, or of an interest in, a dwelling-house or part of a dwelling-house, and
  - (b) at any time in the individual's period of ownership the condition in subsection (2) is met in respect of the dwelling-house,

the part of the gain that is within subsection (3) is a chargeable gain only to the extent, if any, to which it exceeds the amount in subsection (4).
- (2) The condition is that—
  - (a) part of the dwelling-house is the individual's only or main residence, and
  - (b) another part of the dwelling-house is being let out by the individual as residential accommodation.
- (3) The part of the gain that is within this subsection is the part that (but for subsection (1)) would be a chargeable gain by reason of the fact that, at the times in the individual's period of ownership when the condition in subsection (2) is met, the individual's only or main residence does not include the part of the dwelling-house that is being let out as residential accommodation.
- (4) The amount is whichever is the lesser of—
  - (a) the amount of the gain that is not a chargeable gain by virtue of section 223, and
  - (b) £40,000.
- (5) Where by reason of section 222(7)(a) the individual's period of ownership mentioned in subsection (1) begins with the beginning of the period of ownership of another person, any question whether the condition in subsection (2) is met at a time that is within both those periods of ownership is to be determined as if the references in subsection (2) to the individual were to that other person.”
- (6) In section 224 (amount of relief: further provisions)—
  - (a) in the heading for “Amount of relief” substitute “ Relief under sections 223 and 223B ”,
  - (b) in subsection (1)—
    - (i) for “the gain”, in the first place those words occur, substitute “ a gain to which section 222 applies ”,
    - (ii) for “section 223” substitute “ sections 223 and 223B ”,
  - (c) in subsection (2) for “section 223” substitute “ sections 223 and 223B ”, and
  - (d) in subsection (3) for “Section 223” substitute “ Sections 223 and 223B ”.
- (7) In section 225E (disposals by disabled persons or persons in care homes etc) in subsection (4) for “18 months” substitute “ 9 months ”.
- (8) In section 248E(6) (relief on disposal of joint interests in private residence) for “and 223” substitute “ , 223 and 223B ”.
- (9) The amendment made by subsection (2)(a) has effect in relation to a notice given on or after 6 April 2020.

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- (10) The amendments made by subsection (2)(b) have effect in a case where the disposal or death mentioned in subsection (7)(a) of section 222 of TCGA 1992 is made or occurs on or after 6 April 2020.
- (11) The amendments made by subsections (3) to (8) have effect in relation to disposals made on or after 6 April 2020.

## **25 Corporate capital losses**

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

## **26 Quarterly instalment payments**

- (1) The Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175) are amended as follows.
- (2) At the end of regulation 3 (large and very large companies) insert—
  - “(11) A company which—
    - (a) is chargeable to corporation tax for an accounting period only because of a chargeable gain accruing to the company on the disposal of an asset, and
    - (b) would, apart from this paragraph, be a very large company by virtue of this regulation in respect of the accounting period,is to be treated for the purposes of these regulations as if it were a large company by virtue of paragraph (1).”
- (3) In regulation 3(10), in the words before paragraph (a), after “12 months” insert “ and paragraph (11) does not apply ”.
- (4) The amendments made by this section have effect in relation to accounting periods beginning on or after 11 March 2020.

## **27 Relief from CGT for loans to traders**

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

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