Finance Act 2020

2020 CHAPTER 14

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Income tax charge, rates etc

1 Income tax charge for tax year 2020-21

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

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

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

(a) the basic rate is 20%,

(b) the higher rate is 40%, and

(c) the additional rate is 45%.

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

(1) For the tax year 2020-21 the default rates of income tax are as follows—

(a) the default basic rate is 20%,

(b) the default higher rate is 40%, and

(c) the default additional rate is 45%.

(2) For the tax year 2020-21 the savings rates of income tax are as follows—

(a) the savings basic rate is 20%,

(b) the savings higher rate is 40%, and

(c) the savings additional rate is 45%.

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

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

Corporation tax charge and rates

5 Main rate of corporation tax for financial year 2020

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

(2) Accordingly, omit section 7(2) of F(No.2)A 2015 (which is superseded by the provision made by subsection (1)).

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

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

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

Employment income and social security income

7 Workers' services provided through intermediaries

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

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

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

(2) In section 136 (car with a CO_2 emissions figure: post-September 1999 registration)—

(a) in subsection (2A)—

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

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

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

(b) after subsection (2A) insert—

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

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

(a) in subsection (2A)—

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

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

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

(b) after subsection (2A) insert—

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

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

(a) for subsection (2) substitute—

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

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

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

(b) after subsection (5) insert—

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

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

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

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

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

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

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

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

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

(3) After section 139 insert—

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

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

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

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

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

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

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

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

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

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

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

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

(3) After section 139 insert—

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

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

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

"Car	*Appropriate percentage*
Car with CO_2 emissions figure of 0	1%
Car with CO_2 emissions figure of 1 - 50	
Car with electric range figure of 130 or more	1%

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

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

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

11 Apprenticeship bursaries paid to persons leaving local authority care

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

"Persons leaving local authority care

254A Apprenticeship bursaries paid to persons leaving local authority care

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

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

(a) payable out of the public revenue,

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

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

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

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

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

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

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

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

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

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

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

(5) Regulations under this section—

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

(b) may make different provision for different purposes,

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

(d) may make retrospective provision."

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

12 Tax treatment of certain Scottish social security benefits

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

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

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

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

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

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

13 Power to exempt social security benefits from income tax

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

(2) Regulations under this section may make—

(a) different provision for different cases;

(b) retrospective provision;
(c) incidental or supplementary provision;
(d) consequential provision (which may include provision amending any provision made by or under the Income Tax Acts).

(3) In section 655 of ITEPA 2003 (structure of Part 10), in subsection (2), at the end insert "; section 13 of FA 2020 (power to exempt social security benefits from income tax)."

14 Voluntary office-holders: payments in respect of expenses

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

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

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

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

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

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

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

Loan charge

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

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

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

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

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

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

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

(a) after sub-paragraph (6) insert—

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

(b) in sub-paragraph (7)—

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

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

(3) After paragraph 1 insert—

"1A (1) This paragraph applies where—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) in sub-paragraph (3)—

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

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

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

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

(c) after sub-paragraph (3) insert—

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

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

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

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

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

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

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

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

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

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

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

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

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

17 Loan charge reduced where underlying liability disclosed but unenforceable

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

"1B (1) This paragraph applies where—

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

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

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

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

(2) But this paragraph does not apply if—

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

(b) it is the case that—

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

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

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

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

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

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

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

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

(a) identified the loan or quasi-loan,

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

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

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

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

(7) In this paragraph—

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

"qualifying tax return" means —

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

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

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

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

"1A (1) This paragraph applies where—

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

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

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

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

(2) But this paragraph does not apply if—

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

(b) it is the case that—

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

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

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

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

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

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

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

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

(a) identified the loan or quasi-loan,

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

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

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

(6) In this paragraph—

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

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

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

(1) This section applies where—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 Minor amendments relating to the loan charge

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

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

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

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

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

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

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

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

(2) An agreement is a qualifying agreement if—

(a) it is an agreement with the Commissioners,

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) In this section—

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

"tax return" means—

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

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

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

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

21 Operation of the scheme

(1) The scheme may make provision—

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

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

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

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

(a) provision as to who is or is not eligible to apply,

(b) provision as to the conditions that must be met in order to apply,

(c) provision as to the form, manner and content of an application, and

(d) provision as to information or evidence to be provided in support of an application.

(4) The scheme may make provision about the determination of applications under the scheme, including—

(a) provision in accordance with which the Commissioners must determine whether to exercise their discretion to repay or waive the payment of a qualifying amount, and

(b) provision in accordance with which the Commissioners must determine how much of any qualifying amount to repay or waive.

(5) The scheme may make provision authorising the Commissioners to make a repayment or waiver conditional—

(a) on the applicant or any other person agreeing to the termination or variation of the qualifying agreement concerned,

(b) on the applicant or any other person making a new agreement with the Commissioners, or

(c) on the satisfaction of such other conditions as may be specified or determined by the Commissioners.

(6) The scheme may provide that in making any determination under the scheme the Commissioners may or must take account of—

(a) the effect the qualifying agreement concerned has had, or may have, on the applicant or any other person (for example, the effect it has had, or may have, on any liability, relief or benefit),

(b) the effect any repayment or waiver would have on the applicant or any other person (for example, the effect it would have on any liability, relief or benefit), and

(c) such other matters as may be specified.

(7) The scheme may make provision as to the effect, if any, a repayment or waiver is to have on—

(a) the entitlement of the applicant, or any other person, to a payment, benefit or relief under an enactment,

(b) the amount or value of such a payment, benefit or relief,

(c) any liability the applicant, or any other person, may have under an enactment, or

(d) the extent of any such liability.

(8) The scheme may make provision for or in connection with the recovery by the Commissioners of—

(a) any amount repaid under the scheme in circumstances where the Commissioners consider that the repayment should not have been paid, or

(b) any amount the payment of which has been waived under the scheme in circumstances where the Commissioners consider that the waiver should not have been granted.

(9) The scheme may make—

(a) different provision for different purposes or cases,

(b) provision generally or for specific cases,

(c) provision subject to exceptions, and

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

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

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

(12) In this section—

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

"specified" means specified in the scheme, and

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

Pensions

22 Annual allowance: tapered reduction

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

(2) For subsection (1) substitute—

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

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

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

(3) In subsection (3)—

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

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

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

Chargeable gains

23 Entrepreneurs' relief

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

24 Relief on disposal of private residence

(1) TCGA 1992 is amended as follows.

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

(a) after subsection (5) insert—

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

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

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

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

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

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

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

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

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

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

(b) omit subsection (4).

(4) After section 223 insert—

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

(1) Subsection (4) below applies where—

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

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

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

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

(2) The following are qualifying events—

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

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

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

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

(5) After section 223A insert—

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

(1) Where—

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

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

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

(2) The condition is that—

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

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

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

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

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

(b) £40,000.

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

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

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

(b) in subsection (1)—

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

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

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

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

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

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

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

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

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

25 Corporate capital losses

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

26 Quarterly instalment payments

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

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

"(11) A company which—

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

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

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

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

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

27 Relief from CGT for loans to traders

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

Reliefs for business

28 Research and development expenditure credit

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

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

29 Structures and buildings allowances: rate of relief

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

(2) In section 270AA (application of Part 2A)—

(a) in subsection (2) (entitlement to an allowance), at the beginning of paragraph (b) insert "the beginning of",

(b) in subsection (2)(b)(ii), for "50 years" substitute "33 1/3 years", and

(c) in subsection (5) (basic rule: allowance for a chargeable period of one year), for "2%" substitute "3%".

(3) In section 270EA (proportionate adjustment in certain cases), in subsection (3)—

(a) in paragraph (a), for "(b)" substitute "(b)(i)", and

(b) after paragraph (a) (but before the "or") insert—

"(aa) the period mentioned in section 270AA(2)(b)(ii) expires part way through the chargeable period,".

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

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

"**CHAPTER 7A**

ADJUSTMENT FOR PRE-APRIL 2020 ALLOWANCE

270GD Adjustment for pre-April 2020 allowance

(1) This section applies if—

(a) on the relevant date, a person is entitled to an allowance under this Part by reference to qualifying expenditure incurred in relation to a building or structure,

(b) the person does not dispose of the relevant interest in the building or structure before the end of the period mentioned in section 270AA(2)(b)(ii) (the "allowance period"), and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

were separate chargeable periods.

30 Structures and buildings allowances: miscellaneous amendments

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

31 Intangible fixed assets: pre-FA 2002 assets etc

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) after subsection (3) insert—

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

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

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

(b) in subsection (4)—

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

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

(c) for subsection (5) substitute—

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

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

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

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

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

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

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

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

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

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

(d) after subsection (4) insert—

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

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

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

(13) After Chapter 16 insert—

"CHAPTER 16A

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

Introduction

900A Introduction

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

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

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

(4) The following sections contain supplementary provisions—

(a) section 900G (meaning of relieving acquisition),

(b) section 900H (when two persons are related), and

(c) section 900I (acquisition of asset in pursuance of an unconditional obligation).

When an intangible fixed asset is a restricted asset

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

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

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

(b) the company acquired the asset from a person who at the time of the acquisition was a related party in relation to the company, and

(c) the asset is within subsection (2) or (3).

(2) The asset is within this subsection if—

(a) the asset was a pre-FA 2002 asset in the hands of any company on 1 July 2020, and

(b) at no time on or after 1 July 2020 has the asset been the subject of a relieving acquisition.

(3) The asset is within this subsection if—

(a) the asset was created before 1 April 2002,

(b) immediately before 1 July 2020 the asset was held by a person other than a company, and

(c) at no time on or after 1 July 2020 has the asset been the subject of a relieving acquisition.

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

(5) The third party meets the condition in this subsection if—

(a) the third party is not a company, or

(b) the third party is a company in relation to which the intermediary is not a related party at the time of the intermediary's acquisition.

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

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

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

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

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

(b) the company acquired the asset concerned from a person who at the time of the acquisition was a related party in relation to the company, and

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

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

(a) the asset concerned was created on or after 1 July 2020,

(b) at no time has the asset concerned been the subject of a relieving acquisition,

(c) the value of the asset concerned derives in whole or in part from another asset ("the other asset"), and

(d) the other asset was a pre-FA 2002 asset or a restricted asset in the hands of any company on the date the asset concerned was created.

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

(a) the other asset was held by a person other than a company on the date the asset concerned was created,

(b) on the date the asset concerned was created that person was a related party in relation to a company, and

(c) the other asset would have been a pre-FA 2002 asset or a restricted asset in the hands of that company on the date the asset concerned was created had that company acquired the other asset from that person immediately before that date.

(4) For the purposes of this section the cases in which the value of an asset may be derived from any other asset include any case where—

(a) assets have been merged or divided,

(b) assets have changed their nature, or

(c) rights or interests in or over assets have been created or extinguished.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The special rules

900E Special rule: section 900B case

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

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

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

(4) The adjusted amount is—

$$A - B$$

where—

A is the amount of consideration—

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

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

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

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

(6) In this section—

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

"the relevant Chapters of this Part" means—

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

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

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

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

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

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

(3) The adjusted amount is calculated as follows—

Step 1

Find the amount—

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

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

Step 2

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

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

(5) In subsection (3)—

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

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

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

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

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

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

Supplementary provisions

900G Meaning of "relieving acquisition"

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

900H Supplementary provision about when two persons are related

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

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

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

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

900I Acquisition of asset in pursuance of an unconditional obligation

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

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

CHAPTER 16B

FUNGIBLE ASSETS

900J Fungible assets: general

(1) For the purposes of this Part—

(a) fungible assets of the same kind that are held by the same person in the same capacity are treated as indistinguishable parts of a single asset,

(b) that asset is treated as growing as additional assets of the same kind are created or acquired, and

(c) that asset is treated as diminishing as some of the assets are realised.

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

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

(1) For the purposes of section 900J—

(a) pre-FA 2002 assets,

(b) restricted assets, and

(c) standard intangible fixed assets,

are to be regarded as assets of different kinds.

(2) If section 900J applies (whether or not it is a case where subsection (1) of this section has effect)—

(a) a single asset comprising pre-FA 2002 assets is treated as itself being a pre-FA 2002 asset,

(b) a single asset comprising restricted assets is treated as itself being a restricted asset, and

(c) a single asset comprising standard intangible fixed assets is treated as itself being a standard intangible fixed asset.

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

(1) This section applies if—

(a) a company realises a fungible asset, and

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

(2) The realisation is treated—

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

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

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

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

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

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

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

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

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

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

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

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

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

900O Interpretation

In this Chapter—

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

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

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

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

Miscellaneous measures affecting companies

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

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

33 Surcharge on banking companies: transferred-in losses

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

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

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

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

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

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

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

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

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

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

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

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

(5) After section 269DC insert—

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

(1) In section 269DA(2), "non-banking transferred-in loss relief" means the sum of any amounts that are deducted under section 2A of TCGA 1992 in determining the taxable total profits of the company of the chargeable accounting period in respect of an allowable loss, or any part of an allowable loss, that accrued to the company as a result of a non-banking loss transfer.

(2) A "non-banking loss transfer" is a transfer to the company of the whole or any part of an allowable loss, by an election under section 171A of TCGA 1992 (reallocation within group), from a non-banking company.

(3) In this section "non-banking company" means a company that is not a banking company at the time that the allowable loss, or such part of it as the election transfers, is treated as accruing by virtue of the election (see, in particular, section 171B(3) of TCGA 1992)."

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

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

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

35 Changes to accounting standards affecting leases

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

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

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

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

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

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

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

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

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

Investments

36 Enterprise investment scheme: approved investment fund as nominee

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

(2) In subsection (1)—

(a) in the opening words, for "Subsection (2) applies" substitute "This section applies",

(b) in paragraph (a), for "an approved fund" substitute "an approved knowledge-intensive fund",

(c) omit the "and" at the end of paragraph (b),

(d) in paragraph (c), for "90%" substitute "50%",

(e) after that paragraph insert—

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

(e) within that 24 month period at least 80% of the individual's investment in the fund is represented by shares in companies

which are knowledge-intensive companies at the time the shares are issued, and

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

(f) omit the second sentence.

(3) After that subsection insert—

"(1A) In this section "the managers of an approved knowledge-intensive fund" means the person or persons having the management of an investment fund—

(a) which is, in the opinion of HMRC Commissioners, a fund established for the purpose of investing wholly, or substantially wholly, in shares in companies which are knowledge-intensive companies at the time the shares are issued, and

(b) which is, having met such other conditions as HMRC Commissioners consider appropriate for the purposes of this section, approved by them for those purposes."

(4) In subsection (2), omit "In any case where this subsection applies,".

(5) After that subsection insert—

"(2A) Accordingly, in a case where section 158 has effect with the modifications in subsection (2), the reference in section 158(4) to the issue of the shares in the preceding tax year is to the issue of the shares in the tax year preceding the tax year in which the fund closes (and references elsewhere in this Part to the issue of shares in a previous tax year are to be read accordingly)."

(6) In subsection (4), in the opening words, for "an approved fund" substitute "an approved knowledge-intensive fund".

(7) In subsection (5)(b), for "the Commissioners for Her Majesty's Revenue and Customs" substitute "HMRC Commissioners".

(8) In subsection (6), for "an approved fund" substitute "an approved knowledge-intensive fund".

(9) In subsection (7), for "an approved fund" substitute "an approved knowledge-intensive fund".

(10) After that subsection insert—

"(8) In this section "HMRC Commissioners" means the Commissioners for Her Majesty's Revenue and Customs."

(11) In the title, for "investment fund" substitute "knowledge-intensive fund".

(12) The amendments made by this section are treated as having come into force on 6 April 2020 in relation to funds that close on or after that date.

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

(1) In Chapter 9 of Part 4 of ITTOIA 2005 (gains from contracts for life insurance etc), sections 535 to 537 (top slicing relief) are amended as follows.

(2) In section 535 (top slicing relief), at the end insert—

"(8) For the purposes of the calculations mentioned in subsection (1)—

(a) section 25(2) of ITA 2007 (deductions of reliefs and allowances in most beneficial way for taxpayer) does not apply, and

(b) reliefs and allowances are available for deduction from an amount that, for the purposes of those calculations, is the highest part of the individual's total income for the tax year only so far as they cannot be deducted from other amounts."

(3) In section 536(1) (top slicing relieved liability: one chargeable event), in paragraph (a) of step 2—

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

(b) after the "and" at the end of sub-paragraph (ii) insert—

"(iii) in determining the amount of the individual's personal allowance under section 35 of ITA 2007 (but not the amount of any other relief or allowance), it is assumed that the gain from the chargeable event is equal to the amount of the annual equivalent, and".

(4) In section 537 (top slicing relieved liability: two or more chargeable events), in paragraph (a) of step 2—

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

(b) after the "and" at the end of sub-paragraph (ii) insert—

"(iii) in determining the amount of the individual's personal allowance under section 35 of ITA 2007 (but not the amount of any other relief or allowance), it is assumed that the total gains from the chargeable events are equal to the amount of the total annual equivalent, and".

(5) The amendments made by this section have effect in relation to the tax year 2019-20 and subsequent tax years (but see subsection (6) for an exception in the case of the tax years 2019-20 and 2020-21).

(6) Those amendments do not have effect in relation to the tax year 2019-20 or 2020-21 in the case of an individual who is only liable to tax under Chapter 9 of Part 4 of ITTOIA 2005 for the year in question—

(a) on a gain from one chargeable event that occurs before 11 March 2020, or

(b) on gains from chargeable events each of which occurs before that day.

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

(1) The following provisions are repealed—

(a) section 134(5) of ITA 2007 (which provides that a company is a qualifying trading company for the purposes of income tax relief under Chapter 6 of Part 4 of that Act only if it carries on its business in the United Kingdom), and

(b) section 78(5) of CTA 2010 (which makes corresponding provision for the purposes of corporation tax relief under Chapter 5 of Part 4 of that Act).

(2) In consequence of the repeals made by subsection (1)—

(a) in ITA 2007—

(i) in section 134(1), for "D" substitute "C",

(ii) in section 147(8), at the end of paragraph (a) insert "or" and omit paragraph (c) together with the "or" before it,

(iii) in section 150(1), omit the entry relating to section 134(5)(a), and

(iv) in paragraph 38(2) of Schedule 2, in the opening words, for "(2) to (5)" substitute "(2) to (4)", and omit the substituted section 134(5) of ITA 2007, and

(b) in CTA 2010—

(i) in section 75(8), at the end of paragraph (a) insert "or" and omit paragraph (c) together with the "or" before it,

(ii) in section 78(1), for "D" substitute "C",

(iii) in section 89(1), omit the entry relating to section 78(5)(a), and

(iv) in paragraph 28(4) of Schedule 2, in the opening words, for "(2) to (5)" substitute "(2) to (4)", and omit the substituted section 78(5) of CTA 2010.

(3) The amendments made by this section have effect in relation to disposals made on or after 24 January 2019.