Finance Act 2021

2021 CHAPTER 26

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Income tax charge, rates etc

1 Income tax charge for tax year 2021-22

Income tax is charged for the tax year 2021-22.

2 Main rates of income tax for tax year 2021-22

For the tax year 2021-22 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 2021-22

(1) For the tax year 2021-22 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 2021-22 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 2021-22

(1) For the tax year 2021-22, the amount specified in section 12(3) of ITA 2007 (the starting rate limit for savings) is "£5,000".

(2) Accordingly, section 21 of that Act (indexation) does not apply in relation to the starting rate limit for savings for that tax year.

5 Basic rate limit and personal allowance for future tax years

(1) For the tax years 2022-23, 2023-24, 2024-25 and 2025-26, the amount specified in section 10(5) of ITA 2007 (basic rate limit) is "£37,700".

(2) For the tax years 2022-23, 2023-24, 2024-25 and 2025-26, the amount specified in section 35(1) of ITA 2007 (personal allowance) is "£12,570".

(3) Accordingly—

(a) section 21 of ITA 2007 (indexation of basic rate limit) does not apply in relation to the basic rate limit, and

(b) section 57 of ITA 2007 (indexation of allowances) does not apply in relation to the amount specified in section 35(1) of that Act,

for the tax years 2022-23, 2023-24, 2024-25 and 2025-26.

Corporation tax charge and rates

6 Charge and main rate for financial years 2022 and 2023

(1) Corporation tax is charged for the financial years 2022 and 2023.

(2) The main rate of corporation tax—

(a) is 19% for the financial year 2022, and

(b) is 25% for the financial year 2023.

7 Small profits rate chargeable on companies from 1 April 2023

(1) Schedule 1 contains the following provision (with effect from 1 April 2023)—

(a) provision for corporation tax to be charged at the standard small profits rate on profits that are not ring fence profits,

(b) provision for marginal relief to be given by reference to the standard marginal relief fraction,

(c) provision making corresponding amendments to Chapter 3A of Part 8 of CTA 2010 (corporation tax rates on ring fence profits), and

(d) provision making other consequential amendments to provision made by the Corporation Tax Acts.

(2) For the financial year 2023—

(a) the standard small profits rate is 19%, and

(b) the standard marginal relief fraction is 3/200ths.

Rate of diverted profits tax

8 Increase in the rate of diverted profits tax

(1) In section 79 of FA 2015 (charge to diverted profits tax)—

(a) in subsection (2)(a) (which sets the rate in a standard case), and

(b) in subsections (3) and (3A) (which contain modifications of the rate in the case of ring fence profits or banking surcharge profits),

for "25%" substitute "31%".

(2) The amendments made by this section have effect for accounting periods beginning on or after 1 April 2023.

(3) The remaining provisions of this section deal with a case where a company has an accounting period (a "straddling period") beginning before 1 April 2023 and ending on or after that date.

(4) For the purpose of calculating the amount of diverted profits tax chargeable on a company for the straddling period—

(a) so much of the straddling period as falls before 1 April 2023, and

(b) so much of it as falls on or after that date,

are to be treated as separate accounting periods.

(5) If it is necessary to apportion an amount for the straddling period to the two separate accounting periods, the apportionment is to be made on a time basis according to the respective lengths of the separate accounting periods.

Capital allowances: super-deductions etc

9 Super-deductions and other temporary first-year allowances

(1) Part 2 of CAA 2001 has effect as if—

(a) in section 39 (first-year allowances available for certain types of qualifying expenditure only) a reference to this section were included in the list of provisions describing first-year qualifying expenditure, and

(b) in the Table in section 52(3) (amount of first-year allowances), at the end there were inserted—

"Expenditure qualifying under section 9(2) of FA 2021	130%
Expenditure qualifying under section 9(3) of that Act	50%
Expenditure qualifying under section 9(4) of that Act	100%".

(2) Expenditure is qualifying under this subsection if—

(a) it is incurred on or after 1 April 2021 but before 1 April 2023,

(b) it is incurred by a company within the charge to corporation tax,

(c) it is expenditure on plant or machinery which is unused and not second-hand,

(d) it is not within any of the general exclusions in section 46(2) of CAA 2001,

(e) it is not special rate expenditure, and

(f) it is not expenditure on the provision of plant or machinery for use wholly or partly for the purposes of a ring fence trade.

Expenditure qualifying under this subsection is referred to as "super-deduction expenditure" and a first-year allowance made as a result of expenditure qualifying under this subsection is referred to as a "super-deduction".

(3) Expenditure is qualifying under this subsection if—

(a) it is special rate expenditure,

(b) it is incurred on or after 1 April 2021 but before 1 April 2023,

(c) it is incurred by a company within the charge to corporation tax,

(d) it is expenditure on plant or machinery which is unused and not second-hand, and

(e) it is not within any of the general exclusions in section 46(2) of CAA 2001.

Expenditure qualifying under this subsection is referred to as "SR allowance expenditure" and a first-year allowance made as a result of expenditure qualifying under this subsection is referred to as an "SR allowance".

(4) Expenditure is qualifying under this subsection if—

(a) it is expenditure on the provision of plant or machinery for use partly for the purposes of a ring fence trade and partly for the purposes of another qualifying activity,

(b) it is incurred on or after 1 April 2021 but before 1 April 2023,

(c) it is incurred by a company within the charge to corporation tax,

(d) it is not within any of the general exclusions in section 46(2) of CAA 2001, and

(e) it is not special rate expenditure.

(5) A first-year allowance made as a result of expenditure qualifying under subsection (4) is to be allocated between the ring fence trade and the other qualifying activity on a just and reasonable basis.

(6) This section has effect as if it were contained in Chapter 4 of Part 2 of CAA 2001 (which, among other things, means that sections 5 and 50 of that Act are relevant for the purpose of determining when expenditure is incurred).

(7) For the purpose of determining when expenditure is incurred for the purpose of subsection (2)(a) or (3)(b), if an amount of expenditure is incurred as a result of a contract entered into before 3 March 2021—

(a) section 5 of CAA 2001 does not apply, and

(b) the expenditure is instead treated for that purpose as incurred when the contract was entered into (whether or not an unconditional obligation to pay it arises on or after that date).

(8) For the purpose of determining whether a person is entitled to a super-deduction or an SR allowance, section 67 of CAA 2001 (plant or machinery treated as owned by person entitled to benefit of contract, etc) applies as if for subsection (1)(b) of that section there were substituted—

"(b) the expenditure is incurred under a contract in respect of which Conditions A and B in section 1129 of CTA 2010 (definition of hire-purchase agreement) are met on the basis that—

(i) the "goods" referred to in those conditions are the plant or machinery, and

(ii) the person to whom they are bailed or hired is the person who incurs the expenditure."

(9) General exclusion 6 in section 46(2) of CAA 2001 (expenditure on provision of plant or machinery for leasing) does not prevent expenditure being super-deduction expenditure or SR allowance expenditure if the plant or machinery is provided for leasing under an excluded lease of background plant or machinery for a building (as defined by section 70R of that Act).

(10) Section 130(1) of CAA 2001 (postponement of first-year allowances on the provision of a ship) does not apply in relation to a super-deduction or an SR allowance.

(11) In this section "ring fence trade" means a ring fence trade in respect of which tax is chargeable under section 330(1) of CTA 2010 (supplementary charge in respect of ring fence trades).

10 Further provision about super-deductions etc

(1) Sections 11 to 14 contain further provision in connection with super-deductions and SR allowances.

(2) Section 11 contains provision that modifies the percentage that as a result of section 9(1)(b) would otherwise apply to—

(a) super-deduction expenditure incurred in a chargeable period that ends on or after 1 April 2023;

(b) an additional VAT liability accruing in a chargeable period that ends on or after 1 April 2023 that is regarded as super-deduction expenditure as a result of section 236(2) of CAA 2001 (additional VAT liability generates first-year allowance).

(3) Section 12 contains provision about the disposal of plant or machinery in respect of which a super-deduction was made and section 13 contains similar provision in relation to plant or machinery in respect of which an SR allowance was made.

(4) Section 14 contains provision about counteracting tax advantages in connection with super-deductions and SR allowances (but see also Chapter 17 of Part 2 of CAA 2001 which contains other provisions about anti-avoidance).

(5) Sections 11, 12 and 13 have effect as if they were contained in Chapter 5 of Part 2 of CAA 2001 (allowances and charges).

(6) In this section, and in sections 11 to 14—

"super-deduction expenditure" and "super-deduction" are to be construed in accordance with section 9(2);

"SR allowance expenditure" and "SR allowance" are to be construed in accordance with section 9(3);

"additional VAT liability" has the meaning given by section 547(1) of CAA 2001.

11 Reduced super-deduction

(1) Subsection (2) applies where a person incurs super-deduction expenditure in a chargeable period ("the relevant period") that ends on or after 1 April 2023.

(2) Where this subsection applies, section 9(1)(b) applies as if for "130%" there were substituted the relevant percentage.

(3) Subsection (4) applies where a person becomes entitled in a chargeable period ("the relevant period") that ends on or after 1 April 2023 to a super-deduction as a result of section 236(2) in respect of an additional VAT liability that is regarded (as a result of that section) as super-deduction expenditure.

(4) Where this subsection applies, section 9(1)(b) applies as if for "130%" there were substituted—

(a) where the person becomes entitled to the super-deduction before 1 April 2023, the relevant percentage, or

(b) otherwise, "100%".

(5) For the purposes of subsections (2) and (4)(a), the relevant percentage is X% where X is determined by—

(a) dividing the number of days in the relevant period before 1 April 2023 by the total number of days in that period,

(b) multiplying that amount by 30, and

(c) adding 100 to the result.

12 Disposal of assets where super-deduction made

(1) This section applies to plant or machinery in respect of which a person incurred super-deduction expenditure if a super-deduction was made in respect of some or all of that expenditure.

(2) Where a disposal event occurs in relation to plant or machinery to which this section applies, the person who incurred relevant super-deduction expenditure in respect of it is liable to a balancing charge for the chargeable period in which the event occurs (whether or not the person is also liable to any other balancing charge for that period).

(3) The amount of the balancing charge is, subject to subsection (6), the relevant proportion of the disposal value of the plant or machinery (see sections 61 to 63 of CAA 2001 which, among other provisions of Part 2 of that Act, contain provision about disposal values).

(4) The relevant proportion is determined by dividing the amount of relevant super-deduction expenditure incurred in respect of the plant or machinery by the amount of total relevant expenditure in relation to it.

(5) For the purposes of this section—

super-deduction expenditure is "relevant" if a super-deduction was made in respect of it;

"total relevant expenditure" in relation to plant or machinery means the sum of the following expenditure incurred in respect of it—

(a) relevant super-deduction expenditure;

(b) any expenditure in respect of which any other first-year allowance was made;

(c) any expenditure that was allocated to a pool for any chargeable period (including for the period in which the disposal event occurs).

(6) If the disposal event occurs in a chargeable period that commenced before 1 April 2023 the amount of the balancing charge is the amount determined under subsection (3) multiplied by the relevant factor.

(7) The relevant factor is 1.3 if the chargeable period ends before 1 April 2023.

(8) If the chargeable period ends on or after 1 April 2023, the relevant factor is determined by—

(a) dividing the number of days in the period before 1 April 2023 by the total number of days in that period,

(b) multiplying that amount by 0.3, and

(c) adding 1 to the result.

(9) The balance of an amount of super-deduction expenditure in respect of which a super-deduction is made after deducting that super-deduction is to be treated as nil for the purposes of section 58(5)(b) and (6) of CAA 2001 (allocation of balance of first-year qualifying expenditure to a pool).

(10) In relation to the chargeable period in which the disposal event occurred, TDR (see section 55(1)(b) of CAA 2001) for the pool to which the relevant super-deduction expenditure was allocated is to be reduced by the relevant proportion of the disposal value of the plant or machinery.

(11) Section 135(1) of CAA 2001 (claim for deferment of balancing charges) does not apply in relation to a disposal event in respect of a ship to which this section applies.

(12) This section has effect in relation to disposals occurring on or after 1 April 2021.

13 Disposal of assets where SR allowance made

(1) This section applies to plant or machinery in respect of which a person incurred SR allowance expenditure in a chargeable period ("the allowance period") if an SR allowance was made in respect of some or all of that expenditure.

(2) Where a disposal event occurs in relation to plant or machinery to which this section applies, the person who incurred relevant SR expenditure in respect of it is liable to a balancing charge for the chargeable period in which the event occurs (whether or not the person is also liable to any other balancing charge for that period).

(3) The amount of the balancing charge is the relevant proportion of the disposal value of the plant or machinery (see sections 61 to 63 of CAA 2001 which, among other provisions of Part 2 of that Act, contain provision about disposal values).

(4) The relevant proportion is determined by—

(a) dividing the amount of relevant SR allowance expenditure incurred in respect of the plant or machinery by 2, and

(b) dividing that amount by the amount of total relevant expenditure in relation to the plant or machinery.

(5) For the purposes of this section—

SR allowance expenditure is "relevant" if an SR allowance was made in respect of it;

"total relevant expenditure" in relation to plant or machinery means the sum of the following expenditure incurred in respect of it—

(a) relevant SR allowance expenditure,
(b) any expenditure in respect of which any other first-year allowance was made, and
(c) any expenditure that is not relevant SR allowance expenditure that was allocated to a pool for any chargeable period (including for the period in which the disposal event occurs).

(6) In relation to the chargeable period in which the disposal event occurred, TDR (see section 55(1)(b) of CAA 2001) for the pool to which the SR allowance expenditure in respect of the plant or machinery was allocated is to be reduced by the amount of the balancing charge.

(7) Section 135(1) of CAA 2001 (claim for deferment of balancing charges) does not apply in relation to a disposal event in respect of a ship to which this section applies.

(8) This section has effect in relation to disposals occurring on or after 1 April 2021.

14 Counteraction where arrangements are contrived etc

(1) Any relevant tax advantage that would (in the absence of this section) be obtained as a result of relevant arrangements is to be counteracted by the making of such adjustments as are just and reasonable.

(2) A tax advantage is "relevant" if that advantage is connected with a super-deduction or an SR allowance (for example, the obtaining of such a first-year allowance or the avoidance of a balancing charge under section 12 or 13).

(3) Arrangements are "relevant" if—
(a) the purpose, or one of the main purposes, of the arrangements is to obtain a relevant tax advantage, and
(b) it is reasonable, taking account of all the relevant circumstances—
(i) to conclude that the arrangements are, or include steps that are, contrived, abnormal or lacking a genuine commercial purpose, or
(ii) to regard the arrangements as circumventing the intended limits of relief under CAA 2001 or otherwise exploiting shortcomings in that Act.

(4) Any adjustments required to be made under this section (whether or not by an officer of Revenue and Customs) may be made by way of—
(a) an assessment,
(b) the modification of an assessment,
(c) amendment or disallowance of a claim (whether a claim for a first-year allowance or otherwise),
or otherwise.

(5) In this section—
"arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);
"tax advantage" is to be construed in accordance with section 577(4) of CAA 2001.

(6) This section has effect in relation to any relevant arrangements entered into on or after 3 March 2021.

Capital allowances: other measures

15 Extension of temporary increase in annual investment allowance

(1) In section 32(1) of FA 2019 (which increases the maximum amount of the annual investment allowance to £1,000,000 for the period of two years beginning with 1 January 2019), for "two years" substitute "three years".

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

(a) in section 32(2) of that Act, for "2021" substitute "2022",

(b) in paragraph 2 of Schedule 13 to that Act and the heading before that paragraph, for "2021" (in each place) substitute "2022",

(c) in paragraph 3(3)(b) of that Schedule, for "two years" substitute "three years", and

(d) in the heading for that Schedule, for "2021" substitute "2022".

16 Meaning of "general decommissioning expenditure"

(1) Chapter 13 of Part 2 of CAA 2001 (plant and machinery allowances: provisions affecting mining and oil industries) is amended as follows.

(2) Section 163 (meaning of "general decommissioning expenditure" for purposes of sections 164 and 165) is amended as follows.

(3) In subsection (1), at the end of paragraph (a), omit "or" and insert—

"(aa) the condition in subsection (3AB) is met, or".

(4) In subsection (2), for "that is" substitute "paragraphs (a) and (b) of subsection (1) are".

(5) In subsection (3A)—

(a) in the words before paragraph (a), omit "in complying with";

(b) in paragraph (a), at the beginning insert "in complying with";

(c) in paragraph (b)—

(i) at the beginning insert "in complying with";

(ii) at the end omit "or";

(d) in paragraph (c)—

(i) at the beginning insert "in complying with";

(ii) at the end insert ", or

(d) otherwise in anticipation of a decommissioning measure."

(6) After subsection (3A) insert—

"(3AA) For the purposes of subsection (3A)(d), expenditure is incurred otherwise in anticipation of a decommissioning measure if it is incurred—

(a) in preserving plant or machinery, the reuse or demolition of which it is reasonable to anticipate will be authorised or required by an approved abandonment programme, a condition to which the approval of such a programme will be subject or a condition or agreement described in subsection (3A)(c), or

(b) in doing something else which it is reasonable to anticipate will be authorised or required by an approved abandonment programme, a

condition to which the approval of such a programme will be subject or a condition or agreement described in subsection (3A)(c)."

(7) After subsection (3AA) (inserted by subsection (6) of this section) insert—

"(3AB) The condition in this subsection is met if—

(a) the expenditure was incurred—

(i) in preparing an abandonment programme for approval, or

(ii) in preparing for the imposition of a condition by, or the making of an agreement with, the Secretary of State before the approval of an abandonment programme, and

(b) it is reasonable to anticipate that the approved abandonment programme, the condition imposed or the agreement made, as the case may be, will wholly or mainly relate to the decommissioning of plant or machinery to which subsection (3) applies."

(8) In each of subsections (4ZA) and (4ZB), for "subsection (1)" substitute "subsection (1)(a) or (b)".

(9) After section 163 insert—

"**163A Expenditure in anticipation of approval of abandonment programme**

(1) Expenditure to which section 163(3A)(d) applies by virtue of section 163(3AA)(b) is to be treated as never having been general decommissioning expenditure for the purposes of sections 164 and 165 unless, before the end of the relevant period, condition A or condition B is met in relation to the expenditure.

(2) Condition A is that—

(a) an abandonment programme is approved, and

(b) the programme, or a condition to which the approval of the programme was subject, authorises or requires the decommissioning of the plant or machinery to which the expenditure relates.

(3) Condition B is that—

(a) a condition is imposed by the Secretary of State, or an agreement is made with the Secretary of State, before the approval of an abandonment programme, and

(b) the condition or, as the case may be, the agreement authorises or requires the decommissioning of the plant or machinery to which the expenditure relates.

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

(a) beginning with the day on which the expenditure was incurred, and

(b) ending with the fifth anniversary of the last day of the accounting period in which the expenditure was incurred.

(5) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (1).

(6) 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,

the person must give notice to an officer of Revenue and Customs specifying how the return needs to be amended.

(7) A notice under subsection (6) 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.

(8) In this section, "abandonment programme", "approval" and "approved" (in relation to an abandonment programme) have the same meaning as in Part 4 of the Petroleum Act 1998."

(10) The amendments made by this section have effect in relation to expenditure incurred on or after 3 March 2021.

17 Extensions of plant or machinery leases for reasons related to coronavirus

(1) In Part 2 of CAA 2001, Chapter 6A (interpretation of provisions about long funding leases) has effect subject to the following modifications.

(2) Section 70YB (long funding operating lease: extension of term of lease) has effect as if, in subsection (1), at the beginning there were inserted "Subject to section 70YCA (extension of term of lease for reasons related to coronavirus),".

(3) Section 70YC (extension of term of lease that is not a long funding lease) has effect as if, in subsection (1), at the beginning there were inserted "Subject to section 70YCA (extension of term of lease for reasons related to coronavirus),".

(4) That Chapter has effect as if after section 70YC there were inserted—

"**70YCA Extension of term of lease for reasons related to coronavirus**

(1) Sections 70YB(1) and 70YC(1) (extension of lease terms) do not apply in any case where subsection (2) applies (but see subsection (3)).

(2) This subsection applies where, in relation to a relevant lease—

(a) on or after 1 January 2020, there is (or was) a change in the payments under the lease that would have been payable on or before 30 June 2021,

(b) the effect of the change is that the term of the lease is extended (and, were it not for this section, section 70YB(1) or 70YC(1) would apply),

(c) the change would not have been made if it were not for coronavirus,

(d) after the change, the consideration for the lease is substantially the same as, or less than, the consideration for the lease before the change,

(e) there is no other substantive change to the terms of the lease, and

(f) the lessor and lessee have not made any arrangement in connection with any changes to capital allowances relating to the lease and arising as a result of the change mentioned in paragraph (a).

(3) But subsection (2) does not apply where, in relation to a relevant lease, the lessor or the lessee elects that subsection (2) does not apply.

(4) The Treasury may by regulations substitute for the second date for the time being specified in subsection (2)(a) such other date as they consider appropriate.

(5) In this section—

"coronavirus" has the same meaning as in the Coronavirus Act 2020 (see section 1(1) of that Act);

"relevant lease" means—

(a) a long funding operating lease, or

(b) a plant or machinery lease that is not a long funding lease.

70YCB Elections under section 70YCA

(1) An election under section 70YCA must be made by notice to an officer of Revenue and Customs no later than the end of the period of 21 months beginning with the day after the day on which the change mentioned in section 70YCA(2)(a) occurred.

(2) But an election under that section is of no effect unless—

(a) the party making the election notifies the other party to the lease of the election, and

(b) the notice under subsection (1) is accompanied by a copy of the notification given to the other party.

(3) A notice under subsection (1) must include such information as may be specified (whether generally or specifically) by an officer of Revenue and Customs.

(4) An election under section 70YCA is irrevocable.

(5) Where a party to the lease makes or amends a tax return for a period in which the change mentioned in section 70YCA(2)(a) occurred, that party must include with that return or amended return a copy of any election made under that section in respect of the lease.

(6) The following provisions do not apply to an election under section 70YCA—

(a) section 42 of, and Schedule 1A to, TMA 1970 (claims and elections for income tax purposes);

(b) paragraphs 54 to 60 of Schedule 18 to FA 1998 (claims and elections for corporation tax purposes).

(7) References in this section to a tax return, in the case of an election for the purposes of a trade, profession or business carried on by persons in partnership, are to be read, in relation to those persons, as references to a return under section 12AA of TMA 1970 (partnership returns)."

Reliefs for business

18 Temporary extension of periods to which trade losses may be carried back

Schedule 2 contains provision for a temporary extension of the periods to which trade losses may be carried back.

19 R&D tax credits for SMEs

(1) Schedule 3 makes provision about the amount of the tax credit to which a company may be entitled under Chapter 2 of Part 13 of CTA 2009 (relief for cost of research and development incurred by small and medium-sized enterprises).

(2) Schedule 4 makes corresponding provision for Northern Ireland companies within the meaning of Part 8B of CTA 2010 (trading profits taxable at the Northern Ireland rate).

20 Extension of social investment tax relief for further two years

In—

(a) section 257K(1)(a)(iii) of ITA 2007 (date by which investment must be made to qualify for social investment tax relief), and

(b) paragraphs 1(3)(b) and 2(2)(b) of Schedule 8B to TCGA 1992 (date by which gains re-invested in social enterprises must accrue to qualify for hold-over relief),

for "6 April 2021" substitute "6 April 2023".

Employment income

21 Workers' services provided through intermediaries

(1) Chapter 10 of Part 2 of ITEPA 2003 (workers' services provided through intermediaries to public authorities or medium or large clients) is amended as follows.

(2) In section 61N (worker treated as receiving earnings from employment)—

(a) in subsection (3), for "and 61V" substitute ", 61V and 61WA";

(b) in subsection (5), for "section 61V" substitute "sections 61V and 61WA";

(c) in subsection (5A), in the words before paragraph (a), for "and 61V" substitute ", 61V and 61WA".

(3) In section 61O (conditions where intermediary is a company)—

(a) in subsection (1), for paragraph (b) substitute—

"(b) subsection (1A) or (1B) is satisfied.";

(b) after subsection (1) insert—

"(1A) This subsection is satisfied where the worker has a material interest in the intermediary.

(1B) This subsection is satisfied where—

(a) the worker has a non-material interest in the intermediary,

(b) the worker—

(i) has received,

(ii) has rights which entitle, or which in any circumstances would entitle, the worker to receive, or

(iii) expects to receive,

a chain payment from the intermediary, and

(c) the chain payment does not, or will not, wholly constitute employment income of the worker (apart from as a result of this Chapter).";

(c) after subsection (4) insert—

"(4A) The worker is treated as having a non-material interest in the intermediary if—

(a) the worker, alone or with one or more associates of the worker, or

(b) an associate of the worker, with or without other associates of the worker,

has a non-material interest in the intermediary.

(4B) For this purpose a non-material interest means—

(a) beneficial ownership of, or the ability to control, directly or through the medium of other companies or by any other indirect means, 5% or less of the ordinary share capital of the company,

(b) possession of, or entitlement to acquire, rights entitling the holder to receive 5% or less of any distributions that may be made by the company, or

(c) where the company is a close company, possession of, or entitlement to acquire, rights that would in the event of the winding up of the company, or in any other circumstances, entitle the holder to receive 5% or less of the assets that would then be available for distribution among the participators.

(4C) In subsection (4B)(c) "participator" has the meaning given by section 454 of CTA 2010."

(4) In section 61S(4) (deductions from chain payments), for "services-provider" substitute "relevant person".

(5) In section 61T(3) (client-led status disagreement process), for "section 61V" substitute "sections 61V and 61WA".

(6) In section 61U (information to be provided by worker and consequences of failure)—

(a) in the heading, after "worker" insert "or intermediary";

(b) in subsection (1), for "the worker" substitute "the relevant person";

(c) in subsection (2), for "the worker" substitute "the relevant person";

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

"relevant person" means the worker or, in a case where the worker has not complied with subsection (1), the intermediary;".

(7) In section 61V (consequences of providing fraudulent information)—

(a) in subsection (2), in the words before paragraph (a), for "services-provider" substitute "relevant person (or if more than one, the first relevant person) in relation to whom the fraudulent documentation condition is met";

(b) in subsection (3), for "involves the services-provider" substitute "may involve a services-provider";

(c) in subsection (5), after paragraph (c) insert—

"(d) a person in the chain who is resident in the United Kingdom or has a place of business in the United Kingdom."

(8) After section 61W insert—

"**61WA Anti-avoidance**

(1) This section applies if in any case at least one relevant person in a chain participates in a relevant avoidance arrangement.

(2) An arrangement is a "relevant avoidance arrangement" if its main purpose, or one of its main purposes, is to secure a tax advantage by securing that at least one of the conditions mentioned in section 61O or 61P is not met in relation to an intermediary.

(3) Section 61N(3) has effect as if the reference to the fee-payer were a reference to the participating person, but—

(a) section 61N(4) continues to have effect as if the reference to the fee-payer were a reference to the deemed employer, and

(b) Step 1 of section 61Q(1) continues to have effect as referring to the chain payment made by the deemed employer.

(4) The participating person is—

(a) in a case where only one relevant person participates in the arrangement, that person;

(b) in any other case the highest relevant person in the chain who participated in the arrangement and from whom HMRC considers there is a realistic prospect of recovering, within a reasonable period, the amount of tax that would have been paid (or not repaid) in the absence of the arrangement.

(5) Subsection (3) has effect even though that may involve a participating person being treated as both employer and employee in relation to the deemed employment under section 61N(3).

(6) In this section—

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

"deemed employer" means a person who would, but for this section, be treated by section 61N(3) as making a payment to the worker;

"relevant person" means—

(a) the worker;

(b) a person who is resident in the United Kingdom or who has a place of business in the United Kingdom;

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

"tax advantage" includes—

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

(b) repayment or increased repayment of tax,

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

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

(9) In section 688AA(2)(a) (workers' services provided through intermediaries: recovery of PAYE), after "to a worker" insert "(other than by virtue of section 61WA)".

(10) The amendments made by this section have effect in relation to deemed direct payments treated as made on or after 6 April 2021.

22 Payments on termination of employment

(1) Section 27 of ITEPA 2003 (UK-based earnings for year when employee not resident in UK) is amended in accordance with subsections (2) to (5).

(2) In subsection (1)—

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

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

(c) general earnings to which section 402B (termination payments, and other benefits, that cannot benefit from the section 403 threshold, to be treated as earnings) applies."

(3) In subsection (2), for "(1)" substitute "(1)(a) or (b)".

(4) After subsection (2) insert—

"(2A) The percentage of the general earnings within subsection (1)(c) that are an amount of "taxable earnings" from the employment in the tax year in which they are received is given by—

$$\frac{A}{B} \times 100$$

where—

B is the total amount of general earnings from the employment that it is reasonable to assume the employee would have received in respect of the post-employment notice period (within the meaning given by section 402E(5)) if the employee's employment had not been terminated until the end of that period, and

A is the total amount of those general earnings that it is reasonable to assume would have been taxable earnings by virtue of subsection (1)(a) or (b)."

(5) In subsection (3), for "Subsection (2) applies" substitute "Subsections (2) and (2A) apply".

(6) In section 402B of ITEPA 2003 (termination payments, and other benefits, that cannot benefit from the section 403 threshold, to be treated as earnings), in subsection (1)—

(a) the words from "is treated" to the end become paragraph (a), and

(b) after that paragraph insert ", but

(b) is not capable of being an amount to which section 27 applies by virtue of subsection 1(a) or (b) of that section (UK-based taxable earnings for year when employee not resident in UK)."

(7) In section 402D of ITEPA 2003 (post-employment notice pay)—

(a) in subsection (3), for "and (6)" substitute ", (6) and (6A)";

(b) in subsection (6), after "month, " insert "the employee's basic pay is paid in equal monthly instalments,";

(c) after subsection (6) insert—

"(6A) In any other case where the last pay period of the employee to end before the trigger date is a month and the employee's basic pay is paid in equal monthly instalments, then—

BP is the employee's basic pay from the employment in respect of the last pay period of the employee to end before the trigger date,

P is 30.42, and

D is the number of days in the post-employment notice period."

(8) The amendments made by this section have effect in relation to general earnings to which section 402B of ITEPA 2003 applies that are paid—

(a) on or after 6 April 2021, and

(b) in connection with a termination of employment that takes place on or after that date.

23 Cash equivalent benefit of a zero-emissions van

(1) Section 155 of ITEPA 2003 (cash equivalent of the benefit of a van) is amended in accordance with subsections (2) and (3).

(2) In subsection (1B)—

(a) in paragraph (a), for "2021-22" substitute "2020-21";

(b) omit the "and" at the end of that paragraph;

(c) after that paragraph insert—

"(aa) if the van cannot in any circumstances emit CO_2 by being driven and the tax year is 2021-22 or a subsequent tax year, the cash equivalent is nil, and".

(3) In subsection (1C) omit paragraph (g).

(4) In section 170 of ITEPA 2003 (orders etc relating to Chapter 6 of Part 3 of ITEPA 2003), in subsection (1A)—

(a) in paragraph (b), after "zero-emission van" insert "in tax years 2015-16 to 2020-21";

(b) omit the "and" at the end of that paragraph;

(c) after that paragraph insert—

"(ba) section 155(1B)(aa) (cash equivalent for zero-emissions vans in tax year 2021-22 and subsequent tax years), and".

24 Enterprise management incentives

In FA 2020, for section 107 substitute—

"**107 Enterprise management incentives**

(1) Schedule 5 to ITEPA 2003 (enterprise management incentives) is modified in accordance with subsections (2) and (3).

(2) Paragraph 26 (requirement as to commitment of working time) has effect as if, in sub-paragraph (3)—

(a) the "or" at the end of paragraph (c) were omitted, and

(b) at the end of paragraph (d), there were inserted ", or

(e) not being required to work for reasons connected with coronavirus disease (within the meaning given by section 1(1) of the Coronavirus Act 2020)."

(3) Paragraph 27 (meaning of "working time") has effect as if, in sub-paragraph (1)(b), for "(d)" there were substituted "(e)".

(4) Section 535 of ITEPA 2003 (disqualifying events relating to employee in relation to enterprise management incentives) has effect as if, in the closing words of subsection (3), for "(d)" there were substituted "(e)".

(5) The modifications made by this section have effect in relation to the period—

(a) beginning with 19 March 2020, and

(b) ending with 5 April 2022."

25 Cycles and cyclist's safety equipment

(1) If a cycle, or cyclist's safety equipment, was first provided for an employee before 21 December 2020, Condition B in section 244(3) of ITEPA 2003 (requirement that cycle or cyclist's safety equipment is used mainly for commuting etc) is treated as met in relation to the provision for that employee of that cycle or equipment for the period commencing with 16 March 2020 and ending with 5 April 2022.

(2) In this section "cycle" and "cyclist" have the meanings they have in section 244 of ITEPA 2003 (see subsection (5) of that section).

26 Exemption for coronavirus tests

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

(a) the provision to an employee of a coronavirus test, or

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

(2) In this section "coronavirus test" means a test which detects the presence of a viral antigen or viral ribonucleic acid (RNA) specific to severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).

(3) This section has effect as if it were contained in Part 4 of ITEPA 2003 (employment income: exceptions).

(4) This section has effect in relation to the tax years 2020-21 and 2021-22 (and to the extent the relief provided for by the Income Tax (Exemption of Minor Benefits) (Coronavirus) Regulations 2020 (S.I. 2020/1293) is provided for by this section, it supersedes those regulations).

(5) The Treasury may by regulations provide that this section is also to have effect in relation to such subsequent tax years as may be specified in the regulations.

27 Optional remuneration arrangements: statutory parental bereavement pay

(1) In Schedule 2 to FA 2017 (optional remuneration arrangements), in paragraph 62(9), for "or statutory shared parental pay" substitute ", statutory shared parental pay or statutory parental bereavement pay".

(2) That Schedule has effect, and is to be deemed always to have had effect, with the amendment made by subsection (1).

Pensions

28 Freezing the standard lifetime allowance

Section 218(2C) and (2D) of FA 2004 (indexation of standard lifetime allowance) do not apply in relation to the standard lifetime allowance for the tax years 2021-22, 2022-23, 2023-24, 2024-25 and 2025-26 (so that the amount of the standard lifetime allowance for each of those tax years remains at the amount for the tax year 2020-21, namely £1,073,100).

29 Collective money purchase benefits

Schedule 5 contains amendments of Part 4 of FA 2004 (pension schemes etc) relating to collective money purchase benefits.

Construction industry scheme

30 Construction industry scheme

(1) Schedule 6 contains provision amending Chapter 3 of Part 3 of FA 2004 (construction industry scheme).

(2) In particular, the Schedule makes provision about—

(a) contractors,

(b) deductions on account of tax from contract payments,

(c) the treatment of sums deducted, and

(d) penalties.

Coronavirus support payments etc

31 Covid-19 support scheme: working households receiving tax credits

(1) This section applies to a payment which—

(a) is made by Her Majesty's Revenue and Customs in the exercise of a function which they have as a result of a direction given by the Treasury under section 76 of the Coronavirus Act 2020, and

(b) is made to a person by reason of the person's receipt of any tax credit specified in the direction on a date so specified.

(2) No liability to income tax arises in respect of a payment to which this section applies.

(3) But subsection (2) does not prevent the application of paragraph 8 of Schedule 16 to FA 2020 (charge to income tax where person not entitled to coronavirus support payment) in relation to a payment to which this section applies.

32 Self-employment income support scheme

(1) In section 106 of FA 2020 (taxation of coronavirus support payments), in subsection (3)—

(a) after "provision about" insert "(including provision modifying)";

(b) for "(2)(c)" substitute "(2)(b)".

(2) In paragraph 3(3) of Schedule 16 to FA 2020 (self-employment income support scheme payments to be treated as receipts of the tax year 2020-21), for "2020-21" substitute "in which the payment was received".

(3) In paragraph 8 of that Schedule (charge if person not entitled to coronavirus support payment)—

(a) in sub-paragraph (3)—

(i) in the words before paragraph (a), after "scheme" insert "or the self-employment income support scheme";

(ii) in paragraph (b), before "because" insert "in the case of a payment made under the coronavirus job retention scheme,";

(b) in sub-paragraph (4)(a), after "scheme" insert "or the self-employment income support scheme".

(4) The amendments made by subsections (2) and (3) have effect in relation to coronavirus support payments received on or after 6 April 2021.

(5) In this section "coronavirus support payment" has the meaning it has in Schedule 16 to FA 2020 (see section 106(2) and (5) of that Act).

33 Deduction where business rates etc repaid

(1) This section applies if—

(a) a person ("A") carrying on a business would, but for a coronavirus support arrangement, have incurred a liability to pay a charge to a public authority,

(b) an expense incurred in discharging that liability would have been deductible in calculating the profits of the business for the purposes of income tax or corporation tax, and

(c) an amount in respect of some or all of that liability is paid to that or any other public authority.

(2) In calculating the profits of the business of A for those purposes—

(a) a deduction is allowed for the amount paid, and

(b) that amount is treated as if it had been paid in the period in which the charge would have been due and payable.

(3) No deduction is otherwise allowed for the amount paid in calculating the profits of the business of any person for those purposes (including where the amount was paid by a person other than A).

(4) For the purposes of this section "coronavirus support arrangement" means an arrangement where—

(a) a liability in respect of non-domestic rates, or

(b) such other liability in respect of a charge payable to a public authority as may be specified in regulations made by the Treasury,

is waived, or reduced, for purposes connected with the provision of support to businesses in connection with coronavirus.

(5) Regulations under subsection (4)(b) may have retrospective effect.

(6) In this section "coronavirus" has the meaning it has in the Coronavirus Act 2020 (see section 1 of that Act).

(7) This section has effect in relation to payments whether made before or after the passing of this Act.

Exemptions from income tax

34 Repeal of provisions relating to the Interest and Royalties Directive

(1) The following provisions are repealed—

(a) sections 757 to 767 of ITTOIA 2005 (exemption from income tax for certain interest and royalty payments) and the italic heading before those sections, and

(b) sections 914 to 917 of ITA 2007 (discretion to make royalty payments gross) and the italic heading before those sections;

and the remainder of this section makes amendments consequential on the repeal of those provisions.

(2) In section 98 of TMA 1970 (special returns, etc)—

(a) in subsection (4A)(b) omit ", (4DA)", and

(b) omit subsection (4DA).

(3) In paragraph 3 of Schedule 18 to FA 1998 (company tax return), in sub- paragraph (5) for ", 912, 914 and 915" substitute "and 912".

(4) In ITTOIA 2005—

(a) in section 369 (charge to tax on interest), in subsection (3) omit paragraph (f) (and the "and" before it),

(b) in section 578 (contents of chapter), in subsection (2)—

(i) for "exemptions" substitute "an exemption",

(ii) for "sections" substitute "section",

(iii) omit "and 758 (certain interest and royalty payments)", and

(c) in section 683 (charge to tax on payments not otherwise charged), in subsection (4) omit paragraph (h).

(5) In section 100 of FA 2015 (diverted profits tax: credits for tax on the same profits)—

(a) in subsection (4C)(c) for "relevant provision" substitute "double taxation arrangements (as defined by section 2(4) of TIOPA 2010)", and

(b) omit subsection (4E).

(6) In section 42(9) of FA 2016 (section 758 of ITTOIA 2005 not to apply to certain royalty payments)—

(a) in paragraph (b), at the end insert "under arrangements (within the meaning of section 917A of ITA 2007) entered into before that day",

(b) omit paragraph (c) (but not the "and" at the end of it), and

(c) for the words after paragraph (d) substitute "the arrangements are to be regarded as DTA tax avoidance arrangements for the purposes of section 917A of ITA 2007".

(7) In consequence of the repeal of section 762 of ITTOIA 2005 made by subsection (1), the Exemption From Tax For Certain Interest Payments Regulations 2004 (S.I. 2004/2622) are revoked (and, accordingly, exemption notices issued in accordance with those regulations are cancelled).

(8) The amendments made by this section have effect in relation to—

(a) payments made on or after 1 June 2021, and

(b) payments made in disqualifying circumstances on or after 3 March 2021 but before 1 June 2021.

(9) A payment is made in "disqualifying circumstances" if it is made directly or indirectly in consequence of, or otherwise in connection with, any arrangements the main purpose, or one of the main purposes, of which is to secure that the provisions mentioned in subsection (1)(a) or (b) continue to have effect in relation to it.

(10) For this purpose "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

35 Payments made to victims of modern slavery etc

(1) A payment that meets conditions A to C is to be regarded as a "qualifying payment" for the purposes of paragraph 3(1) and (2) of Schedule 15 to FA 2020 (exemption from income tax).

(2) Condition A is that the payment is made by or on behalf of a public authority.

(3) Condition B is that the payment is made to a person in respect of whom—

(a) there are reasonable grounds to believe the person may be a victim of slavery or human trafficking, and

(b) no conclusive determination has been made identifying the person as a victim for the purposes of Article 10 of the Trafficking Convention.

(4) Condition C is that the payment is made for the purposes of providing the person assistance or support of the kind mentioned in Article 12 of the Trafficking Convention (as contemplated by Article 10).

(5) In this section—

(a) "the Trafficking Convention" means the Council of Europe Convention on Action against Trafficking in Human Beings (done at Warsaw on 16 May 2005);

(b) "public authority" includes any person certain of whose functions are functions of a public nature.

(6) This section has effect in relation to qualifying payments received on or after 1 April 2009.

Miscellaneous corporation tax measures

36 Hybrid and other mismatches

Schedule 7 makes amendments to Part 6A of TIOPA 2010 (hybrid and other mismatches).

37 Relief for losses etc

Schedule 8 makes provision about corporation tax relief for losses and other amounts.

38 Corporate interest restriction: minor amendments

(1) Part 10 of TIOPA 2010 (corporate interest restriction) is amended as follows.

(2) In section 452 (Real Estate Investment Trusts), after subsection (2) insert—

"(2A) In applying subsection (2) and giving effect to the remainder of this section, the company is treated, at all times in the accounting period, as carrying on a residual business within the charge to corporation tax (and, accordingly, amounts falling to be brought into account in the accounting period as a result of this section are within the charge to corporation tax)."

(3) The amendment made by subsection (2) is treated as having come into force on 21 July 2020.

(4) In Schedule 7A (interest restriction returns), after paragraph 29 insert—

"29A (1) Liability to a penalty under paragraph 29 does not arise if the company has a reasonable excuse for failing to submit the return by the filing date.

(2) If the company has a reasonable excuse for the failure but the excuse has ceased, the company is to be treated as having continued to have the excuse if the return is submitted without unreasonable delay after the excuse ceased."

(5) That Schedule has effect, and is to be deemed always to have had effect, with the amendment made by subsection (4).

39 Northern Ireland Housing Executive

(1) In CTA 2010, after section 987B insert—

"Northern Ireland Housing Executive

987C Northern Ireland Housing Executive

The Northern Ireland Housing Executive is not liable to corporation tax."

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

Capital gains tax

40 Annual exempt amount

Section 1L of TCGA 1992 (which provides for an increase in the annual exempt amount to reflect increases in CPI) does not apply for the tax years 2021-22, 2022-23, 2023-24, 2024-25 and 2025-26 (so that the annual exempt amount for each of those tax years remains at £12,300).

41 Hold-over relief for foreign-controlled companies

(1) In section 167 of TCGA 1992 (gifts to foreign-controlled companies), in subsection (2)(b), at the beginning insert "is or".

(2) The amendment made by subsection (1) has effect in relation to a disposal made on or after 6 April 2021.