Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Income tax charge, rates etc

1 Income tax charge for tax year 2023-24

Income tax is charged for the tax year 2023-24.

2 Main rates of income tax for tax year 2023-24

For the tax year 2023-24 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 2023-24

(1) For the tax year 2023-24 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 2023-24 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 Freezing starting rate limit for savings for tax year 2023-24

(1) For the tax year 2023-24 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.

Corporation tax charge and rates

5 Charge and main rate for financial year 2024

(1) Corporation tax is charged for the financial year 2024.

(2) The main rate of corporation tax for that year is 25%.

6 Standard small profits rate and fraction for financial year 2024

(1) For the purposes of Part 3A of CTA 2010, for the financial year 2024—

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

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

Capital allowances

7 Temporary full expensing etc for expenditure on plant or machinery

(1) Part 2 of CAA 2001 (plant and machinery allowances) has effect as if the following amendments were made.

(2) Section 39 (first-year allowances available for certain types of qualifying expenditure only) has effect as if after the entry relating to section 45O there were inserted—

"section 45S	expenditure on plant or machinery in other cases".

(3) Chapter 4 has effect as if after section 45R there were inserted—

"**45S Expenditure on plant or machinery in other cases**

Expenditure is first-year qualifying expenditure if—

(a) it is incurred on or after 1 April 2023 but before 1 April 2026,

(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, and

(d) it is not excluded by section 45T (exclusion of expenditure under disqualifying arrangements) or 46 (general exclusions).

45T Exclusion of expenditure incurred under disqualifying arrangements

(1) Expenditure is not first-year qualifying expenditure under section 45S if the expenditure is incurred directly or indirectly in consequence of, or otherwise in connection with, disqualifying arrangements.

(2) Arrangements are "disqualifying arrangements" for the purposes of this section if—

(a) the main purpose, or one of the main purposes, of the arrangements is to secure a tax advantage connected with expenditure being first-year qualifying expenditure under section 45S (including securing the advantage by avoiding a balancing charge under section 59A or 59B or reducing the amount or timing of such a charge), 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 this Act or otherwise exploiting shortcomings in this Act.

(3) In this section "arrangements" include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(4) Section 46 (general exclusions) has effect as if—

(a) in subsection (1), after the entry relating to section 45O there were inserted—

"section 45S	expenditure on plant or machinery in other cases", and

(b) after subsection (4) there were inserted—

"(4A) General exclusion 6 does not prevent expenditure being first-year qualifying expenditure under section 45S if the plant or machinery is provided for leasing under an excluded lease of background plant or machinery for a building."

(5) Section 52 (first-year allowances) has effect as if in subsection (3), in the table, at the end there were inserted—

"Expenditure qualifying under section 45S (expenditure on plant or machinery in other cases) which is not special rate expenditure	100%
Expenditure qualifying under section 45S (expenditure on plant or machinery in other cases) which is special rate expenditure	50%".

(6) Chapter 5 has effect as if after section 59 there were inserted—

"Special balancing charge in cases of temporary full expensing etc

59A Disposal of assets where first-year allowance made under section 45S for expenditure which is not special rate expenditure

(1) This section applies if a first-year allowance has been made to a company in respect of first-year qualifying expenditure under section 45S which is not special rate expenditure.

(2) If the company is required to bring a disposal value into account for an accounting period by reference to the plant or machinery on which the expenditure is incurred, the company is liable to a balancing charge for that period (whether or not it 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; and the relevant proportion is determined by dividing—

(a) the amount of the expenditure that was the subject of the allowance, by

(b) the total amount of expenditure that has been the subject of that or any other first-year allowance or has been allocated to a pool for that or any other accounting period.

(4) In relation to the accounting period for which the disposal value is brought into account, TDR (see section 55(1)(b)) for the pool to which the expenditure that was the subject of the allowance was allocated is to be reduced by the amount of the balancing charge.

59B Disposal of assets where first-year allowance made under section 45S for expenditure which is special rate expenditure

(1) This section applies if a first-year allowance has been made to a company in respect of first-year qualifying expenditure under section 45S which is special rate expenditure.

(2) If the company is required to bring a disposal value into account for an accounting period by reference to the plant or machinery on which the expenditure is incurred, the company is liable to a balancing charge for that period (whether or not it 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; and the relevant proportion is determined by—

(a) dividing the amount of the expenditure that was the subject of the allowance by two, and

(b) dividing the result of that division by the total amount of expenditure that has been the subject of that or any other first-year allowance or has been allocated to a pool for that or any other accounting period.

(4) In relation to the accounting period for which the disposal value is brought into account, TDR (see section 55(1)(b)) for the pool to which the expenditure

that was the subject of the allowance was allocated is to be reduced by the amount of the balancing charge.

59C Sections 59A and 59B: tax avoidance arrangements

(1) This section applies if arrangements are entered into the main purpose, or one of the main purposes, of which is—

(a) to secure that a balancing charge under section 59A or 59B is not chargeable on a company, or

(b) to secure a reduction in the amount, or a change in the timing, of a balancing charge under section 59A or 59B which is chargeable on a company.

(2) Sections 59A and 59B are to have effect as if the arrangements had not been entered into.

(3) In this section "arrangements" include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

8 Annual investment allowance to remain at £1M beyond temporary period

(1) The amount of £1,000,000 which is specified in section 51A(5) of CAA 2001 as the maximum allowance in relation to expenditure incurred in the period beginning with 1 January 2019 and ending with 31 March 2023 is to be the amount of the maximum allowance in relation to expenditure incurred on or after 1 April 2023 (as well as in relation to expenditure incurred in that period).

(2) Accordingly—

(a) in section 51A of CAA 2001, for the amount specified in subsection (5) as the maximum allowance (which in the absence of this section would be £200,000 in relation to expenditure incurred on or after 1 April 2023) substitute "£1,000,000", and

(b) the temporary AIA transitional provisions cease to have effect in relation to chargeable periods beginning before 1 April 2023 and ending on or after that date.

(3) For this purpose "the temporary AIA transitional provisions" means—

(a) paragraphs 2 and 3 of Schedule 13 to FA 2019, and

(b) section 32 of FA 2019, section 15 of FA 2021 and section 12 of FA 2022 so far as relating to those paragraphs.

9 First-year allowance for expenditure on electric vehicle charge points

In section 45EA of CAA 2001 (expenditure on plant or machinery for electric vehicle charging point), in subsection (3) (the relevant period), in paragraphs (a) and (b), for "2023" substitute "2025".

Other reliefs relating to businesses

10 Relief for research and development

Schedule 1 makes provision in relation to the corporation tax relief contained in Chapter 6A of Part 3 of CTA 2009 (trade profits: R&D expenditure credits) and Part 13 of CTA 2009 (additional relief for expenditure on research and development)—

(a) conferring relief in respect of expenditure on data and cloud computing services,

(b) about the administration and management of claims for relief,

(c) about the circumstances in which an enterprise counts as a small or medium-sized enterprise and in which accounts are to be treated as prepared on a going concern basis, and

(d) limiting relief for expenditure incurred on payments to expenditure incurred on payments made before the making of a claim for the relief.

11 Treatment of profits from patents etc: small profits rate of corporation tax

(1) In section 357A of CTA 2010 (election for special treatment of profits from patents etc), in subsection (3)—

(a) in the formula, in both places it occurs, for "MR" substitute "AR";

(b) for the definition of "MR" substitute—

""AR" means, in relation to a company—

(a) in a case where corporation tax is charged at the standard small profits rate on the company's taxable total profits of the accounting period mentioned in subsection (1) which are not ring fence profits, that rate, or

(b) in any other case, the main rate of corporation tax."

(2) The amendments made by subsection (1) have effect in relation to accounting periods beginning on or after 1 April 2023.

12 Energy (oil and gas) profits levy: de-carbonisation allowance

(1) The Energy (Oil and Gas) Profits Levy Act 2022 is amended as follows.

(2) In section 2 (additional expenditure treated as incurred for purposes of section 1), for subsection (3) substitute—

"(3) For the purposes of section 1 the company is to be treated as if, in addition to the investment expenditure ("the IE") incurred by it in the accounting period, it had incurred in that period—

(a) expenditure of an amount equal to 80% of the amount of the IE, in a case where the expenditure is capital expenditure on the de-carbonisation of its upstream petroleum production, and

(b) expenditure of an amount equal to 29% of the amount of the IE, in any other case."

(3) In that section, after subsection (4) insert—

"(4A) For the purposes of this section, where a company incurs expenditure part of which is capital expenditure on the de-carbonisation of its upstream petroleum

production and part of which is not, the expenditure is to be apportioned on a just and reasonable basis."

(4) After that section insert—

"**2A Section 2: meaning of expenditure on "de-carbonisation of upstream petroleum production"**

(1) Expenditure incurred by a company is expenditure on the "de-carbonisation of its upstream petroleum production" for the purposes of section 2 if—

(a) the expenditure is incurred in qualifying circumstances, and

(b) the main purpose, or one of the main purposes, in incurring the expenditure is to reduce greenhouse gas emissions in the carrying on by the company of its ring fence trade.

(2) For this purpose expenditure is incurred in qualifying circumstances if—

(a) it is incurred on the provision of an alternative energy asset which is to be used for the purpose of generating or storing power for use by the company in its upstream petroleum facilities,

(b) it is incurred on the modification of an asset so that it becomes an alternative energy asset which is to be used for that purpose,

(c) it is incurred on the provision of an asset (such as a cable or substation) where the asset is to be used to make a connection to the electric grid or to an alternative energy asset so that (in either case) the company can use the power generated in its upstream petroleum facilities,

(d) it is incurred for the purpose of reducing or eliminating flaring or venting,

(e) it is incurred for the purpose of capturing greenhouse gas emissions, or

(f) it is incurred for the purpose of monitoring or measuring greenhouse gas emissions (including with a view to detecting leaks of greenhouse gas emissions from the company's upstream petroleum facilities).

(3) For the purposes of this section an asset is an alternative energy asset if the asset generates or stores power (wholly or mainly) from sources of energy other than fossil fuels.

(4) For the purposes of this section references to a company's upstream petroleum facilities are to any facility used by the company for the purposes of its oil extraction activities.

(5) In this section—

"the electric grid" means—

(a) in Great Britain, anything which is a transmission system, or a distribution system connected to a transmission system, for the purposes of Part 1 of the Electricity Act 1989, or

(b) in Northern Ireland, anything which is a transmission system, or a distribution system connected to a transmission system, for the purposes of Part 2 of the Electricity (Northern Ireland) Order 1992,

"emissions" has the same meaning as it has in the Climate Change Act 2008 (see section 97),

"fossil fuel" has the meaning given by section 32M of the Electricity Act 1989, and

"greenhouse gas" has the same meaning as it has in the Climate Change Act 2008 (see section 92)."

(5) In section 3 (section 2: meaning of "operating expenditure"), for subsection (5) substitute—

"(5) In this section "tariff receipts" has the meaning given by section 291A of CTA 2010."

(6) In section 18(1) (interpretation)—

(a) after the definition of "energy (oil and gas) profits levy" insert—

""facility" means a platform, an oil well, a platform well, an oil well head or upstream petroleum infrastructure,", and

(b) omit the "and" before the definition of "ring fence trade" and after that definition insert—

""upstream petroleum infrastructure" means any upstream petroleum pipeline, oil processing facility or gas processing facility (as those expressions are defined by section 90 of the Energy Act 2011 but as if that section also applied (with the appropriate modifications) to Northern Ireland)."

(7) The amendments made by subsections (2) to (4) have effect in relation to expenditure incurred on or after 1 January 2023 and the amendments made by subsections (5) and (6) have effect in relation to expenditure incurred on or after 26 May 2022.

13 Museums and galleries exhibition tax relief: extension of sunset date

In section 1218ZCG(1)(c) of CTA 2009 (date before which qualifying expenditure must be incurred), for "2024" substitute "2026".

14 Extension of the temporary increase in theatre tax credit etc

(1) In each of the following provisions of FA 2022—

(a) section 17(2) (temporary increase in amount of theatre tax credit),

(b) section 19(2) (corresponding provision for orchestra tax credit), and

(c) section 21(2) (corresponding provision for museums and galleries exhibition tax credit),

for "2023" substitute "2025".

(2) In each of the following provisions of that Act (which provide for an increase in the amount of those credits for a further year but at a lower rate than that provided for by sections 17(2), 19(2) and 21(2))—

(a) section 17(3),

(b) section 19(3), and

(c) section 21(3),

for "2023" substitute "2025" and for "2024" substitute "2026".

(3) In each of the following provisions of that Act (which deal with straddling periods for those credits)—

(a) section 17(4),

(b) section 19(4), and

(c) section 21(4),

for "2023" substitute "2025" and for "2024" substitute "2026".

15 Seed enterprise investment scheme: increase of limits etc.

(1) Part 5A of ITA 2007 (seed enterprise investment scheme) is amended in accordance with subsections (2) to (5).

(2) In section 257AB (form and amount of SEIS relief), in subsection (2)(b), for "£100,000" substitute "£200,000".

(3) In section 257DI (the gross assets requirement)—

(a) in subsection (1), for "£200,000" substitute "£350,000";

(b) in subsection (2), for "£200,000" substitute "£350,000".

(4) In section 257DL (the amount raised through the SEIS), in each of the following provisions, for "£150,000" substitute "£250,000"—

(a) subsection (1);

(b) subsection (4)(a);

(c) subsection (4)(b);

(d) in subsection (6), the definition of "A".

(5) In section 257HF (meaning of "new qualifying trade")—

(a) in subsection (1)(a), for "two" substitute "three";

(b) in subsection (2), for the definition of "two year pre-investment period" substitute—

> ""three year pre-investment period" means the period of 3 years ending immediately before the day on which the relevant shares are issued."

(6) In Schedule 5BB to TCGA 1992 (seed enterprise investment scheme: re-investment), in paragraph 2—

(a) in sub-paragraph (1), for "£100,000" substitute "£200,000";

(b) in sub-paragraph (2), in the formula, for "£100,000" substitute "£200,000".

(7) The amendments made by this section have effect in relation to shares issued on or after 6 April 2023.

Reliefs for employees

16 CSOP schemes: share value limit and share class

(1) Schedule 4 to ITEPA 2003 (CSOP schemes) is amended as follows.

(2) In paragraph 6 (limit on value of shares subject to options)—

(a) in sub-paragraph (1), in the words after paragraph (b), for "£30,000" substitute "£60,000";

(b) after sub-paragraph (4) insert—

> "(5) The Treasury may by regulations amend sub-paragraph (1) by substituting a different sum of money for the sum for the time being specified there."

(3) In paragraph 15 (requirements relating to shares that may be subject to share options: introduction), in sub-paragraph (1)—

(a) after the entry for paragraph 17 insert ", and";

(b) omit the entry for paragraph 20 and the ", and" before it.

(4) Omit paragraph 20 (requirements as to other shareholdings).

(5) In paragraph 27 (requirement about share options granted in exchange), in sub-paragraph (4)(a), for "20" substitute "18".

(6) The amendments made by subsection (2) have effect for the purposes of determining whether a share option may be granted to an individual on or after 6 April 2023 ("the commencement day").

(7) The amendments made by subsections (3) and (4) have effect in relation to—

(a) share options granted on or after the commencement day, and

(b) shares acquired by the exercise of share options on or after the commencement day (regardless of when those share options were granted).

(8) The amendment made by subsection (5) has effect in relation to share options granted on or after the commencement day.

(9) A CSOP scheme which was approved by, or notified to, His Majesty's Revenue and Customs before the commencement day has effect on and after the commencement day with any modifications needed to reflect the amendments made by this section.

(10) In particular, such a CSOP scheme has effect from the commencement day with—

(a) the substitution of "£60,000" for "£30,000" in any provision required by paragraph 6 of Schedule 4 to ITEPA 2003;

(b) the omission of any provision that (before the amendments made by this section) was required by paragraph 20 of that Schedule by virtue of paragraph 15(1) of that Schedule.

(11) In this section, "CSOP scheme" and "share option" have the same meaning as in the CSOP code (see paragraph 37 of Schedule 4 to ITEPA 2003).

17 Enterprise management incentives: restricted shares and declarations

(1) Schedule 5 to ITEPA 2003 (enterprise management incentives) is amended as follows.

(2) In Part 5 (requirements relating to options), in paragraph 37 (terms of option to be agreed in writing) omit sub-paragraphs (4) and (5).

(3) In Part 7 (notification of option to HMRC), in paragraph 44 (notice of option to be given to HMRC)—

(a) in sub-paragraph (5)—

(i) after paragraph (a) insert "and";

(ii) omit paragraph (c) and the ", and" immediately before it;

(b) omit sub-paragraphs (5A) and (6).

(4) In Part 8 (supplementary provisions) omit paragraph 57A (penalty for non-compliance with paragraph 44(5A)).

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

(a) share options granted on or after 6 April 2023, or

(b) share options granted before 6 April 2023 which are capable of being exercised on or after that date ("relevant options").

(6) But if—

(a) an employer company has granted relevant options to persons by reason of their employment with the company, and

(b) the effect of subsection (5)(b) would otherwise be that a relevant requirement would not be met in relation to one or more share options granted before 6 April 2023,

the employer company must, on or before the relevant day, make arrangements for determining which of the relevant options, or the extent to which those options, are to take the benefit of subsection (5)(b) without a relevant requirement not being met in relation to any share options granted before 6 April 2023.

(7) The arrangements must—

(a) set out the criteria by reference to which the determination will be made, and

(b) be made available to persons who may be affected by the determination.

(8) If the employer company fails to make arrangements in accordance with subsection (7) in a case where it is required to do so by subsection (6), which relevant options, or the extent to which those options, take the benefit of subsection (5)(b) is to be determined in the chronological order in which those options were granted (and where two or more relevant options were granted at the same time, the extent to which those options take the benefit of subsection (5)(b) is, where necessary, to be apportioned between those options).

(9) In this section—

"relevant day" means 6 July following the end of the first tax year in which a relevant option granted by the employer company is exercised;

"relevant options" has the meaning given in subsection (5)(b);

"relevant requirement" means any of the requirements in paragraphs 5(1), 6(2) or (4) or 7(1) of Schedule 5 to ITEPA 2003;

"share option" and "employer company" have the same meaning as in the EMI code (see paragraph 59 of Schedule 5 to ITEPA 2003).

Pensions

18 Lifetime allowance charge abolished

(1) No lifetime allowance charge arises for the tax year 2023-24 or any subsequent tax year.

(2) Subsection (1) does not affect the continued operation of any provision of Part 4 of FA 2004 (pension schemes etc) so far as it has effect for purposes other than that of determining a person's liability for the lifetime allowance charge.

19 Certain lump sums to be taxed at marginal rate

(1) Subsection (2) applies to any relevant lump sum, or any part of a relevant lump sum, that—

(a) is paid under a registered pension scheme, and

(b) would, disregarding section 18, have been chargeable to income tax under sections 214 to 226 of FA 2004 (lifetime allowance charge).

(2) Section 579A of ITEPA 2003 (pensions under registered pension schemes) applies in relation to the relevant lump sum or part of the relevant lump sum as it applies to any pension under a registered pension scheme.

(3) Subsection (4) applies to any lump sum, or any part of a lump sum, that—

(a) is paid under a relieved non-UK pension scheme,

(b) would have been a relevant lump sum within subsection (5)(a), (c) or (d) if it had been paid under a registered pension scheme, and

(c) would, disregarding section 18, have been chargeable to income tax under sections 214 to 226 of FA 2004 (as applied by paragraphs 13 to 19 of Schedule 34 to FA 2004 (application of lifetime allowance charge to non-UK schemes)).

(4) Section 573 of ITEPA 2003 (foreign pensions) applies in relation to the lump sum or part of the lump sum as it applies to any pension paid by or on behalf of a person who is outside the United Kingdom to a person who is resident in the United Kingdom.

(5) In this section "relevant lump sum" means—

(a) a serious ill-health lump sum,

(b) a lifetime allowance excess lump sum,

(c) a defined benefits lump sum death benefit, or

(d) an uncrystallised funds lump sum death benefit;

(6) Expressions used in subsection (5) have the same meaning as in Part 4 of FA 2004 (see Schedule 29 to that Act).

(7) In this section—

"registered pension scheme" has the same meaning as in Part 4 of FA 2004 (see section 150(2) of that Act);

"relieved non-UK pension scheme" has the meaning given by paragraph 13(3) of Schedule 34 to FA 2004.

(8) This section has effect for the tax year 2023-24 and subsequent tax years.

20 Annual allowance increased

(1) In Part 4 of FA 2004 (pension schemes etc), section 228 (annual allowance) is amended as follows.

(2) For subsection (1) substitute—

"(1) The annual allowance for the tax year 2023-24 and, subject to subsection (2), each subsequent tax year is £60,000."

(3) In subsection (2) for "2014-15" substitute "2023-24".

21 Money purchase annual allowance

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

(2) In the following provisions, for "£4,000" substitute "£10,000"—

(a) section 227ZA(1)(b);
(b) section 227B(1)(b) and (2);
(c) in section 227D(4), Steps 4 and 5.

(3) In consequence of the amendments made by this section, in F(No.2)A 2017, omit section 7.

(4) The amendments made by this section have effect for the tax year 2023-24 and subsequent tax years.

22 Annual allowance: tapering

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

(2) In subsection (1)—
(a) for "£4,000" substitute "£10,000";
(b) for "£240,000" substitute "£260,000".

(3) In subsection (3)(a) and (b), for "£240,000" substitute "£260,000".

(4) The amendments made by this section have effect for the tax year 2023-24 and subsequent tax years.

23 Modification of certain existing transitional protections

(1) In Part 4 of FA 2004 (pension schemes etc), Schedule 36 (transitional provisions) is amended in accordance with subsections (2) and (3).

(2) In paragraph 12 (enhanced protection), in sub-paragraph (2), after "ceases to apply if" insert "the notice under sub-paragraph (1) is given on or after 15 March 2023 and".

(3) In paragraph 27 (enhanced protection: modifications of paragraph 2 of Schedule 29), in sub-paragraph (3), in the substituted sub-paragraph (5) of paragraph 2, for the words after "the permitted maximum is" substitute "the lower of—
(a) the applicable amount calculated in accordance with paragraph 3, and
(b) the amount that would have been the applicable amount calculated in accordance with paragraph 3 if the lump sum had been paid on 5 April 2023."

(4) In the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), in article 25C (payment of stand-alone lump sums: tax consequences), for paragraph (3) substitute—

"(3A) Section 636A of ITEPA 2003 (exemptions and liabilities for certain lump sums under registered pension schemes) is to be read as if, after subsection (1C), there were inserted—

"(1D) In the case of a stand-alone lump sum paid under a registered pension scheme—
(a) no liability to income tax arises on so much of the sum as does not exceed the 5 April 2023 maximum, and

(b) section 579A applies in relation to the remainder (if any) of the sum as that section applies to any pension under a registered pension scheme.

(1E) In subsection (1D) and this subsection—

(a) "stand-alone lump sum" has the meaning given by paragraph (3) of article 25 of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572);

(b) "the 5 April 2023 maximum" means the maximum amount that, on 5 April 2023, could have been paid to the member under the registered pension scheme by way of a stand-alone lump sum.

(1F) For the purposes of determining the maximum amount mentioned in paragraph (b) of subsection (1E), condition C in article 25A of the order mentioned in paragraph (a) of that subsection (condition that member has reached normal minimum pension age etc) is treated as met.""

(5) In FA 2011, in Schedule 18, in paragraph 14 (fixed protection 2012) in sub-paragraph (4), after "ceases to apply if" insert "the notice under sub-paragraph (1) or (as the case may be) sub-paragraph (1A) is given on or after 15 March 2023 and,".

(6) In FA 2013, in Schedule 22, in paragraph 1 (fixed protection 2014), in sub-paragraph (3), after "ceases to apply if" insert "the notice under sub-paragraph (1) is given on or after 15 March 2023 and,".

(7) In FA 2016, in Schedule 4, in Part 1 (fixed protection 2016), in paragraph 3, after "There is a protection-cessation event if" insert "the reference number for the purposes of paragraph 1(2) was issued pursuant to an application made on or after 15 March 2023 and".

(8) The amendments made by this section have effect for the tax year 2023-24 and subsequent tax years.

24 Collective money purchase arrangements

(1) Part 4 of FA 2004 (pension schemes) is amended in accordance with subsections (2) to (8).

(2) In section 152 (meaning of arrangement), in subsection (5A)—

(a) the words after "means benefits that are" become paragraph (a);

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

(c) after that paragraph insert—

"(b) payments of CMP periodic income."

(3) In section 169 (recognised transfers), after subsection (1E) insert—

"(1F) The Commissioners for His Majesty's Revenue and Customs may by regulations make provision as to the treatment for the purposes of any provision of this Part of a CMP-derived drawdown pension.

(1G) The provision that may be made under subsection (1F) includes provision for treating sums or assets held for the purposes of a CMP-derived drawdown

pension as remaining, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, held for the purposes of the collective money purchase arrangement under the pension scheme from which they were transferred."

(4) In section 279 (other definitions), after subsection (1E) insert—

"(1F) For the purposes of this Part a "CMP-derived drawdown pension" means a drawdown pension (within the meaning given by paragraph 4 of Schedule 28) where—

(a) the sums or assets constituting the fund from which the pension is payable were transferred from another pension scheme, and

(b) before the transfer, those sums or assets were held for the purposes of paying CMP periodic income.

(1G) For the purposes of this Part "CMP periodic income" means income payable by virtue of section 36(7)(b) or 87(7)(b) of the Pension Schemes Act 2021 (periodic income paid under collective money purchase arrangement while pursuing continuity option 1)."

(5) In section 280 (abbreviations and general index), in subsection (2) at the appropriate places insert—

"CMP-derived drawdown pension	section 279(1F)""

"CMP periodic income	section 279(1G)".

(6) In Schedule 28 (registered pension schemes: authorised pensions - supplementary), in Part 2 (pension death benefit rules), in paragraph 16A (limit on dependant's scheme pension), after sub-paragraph (2) insert—

"(3) Where, immediately before the member's death, the member is actually or prospectively entitled to CMP periodic income, any CMP periodic income that is at any later time payable to a dependant of the member is to be ignored for the purposes of paragraphs 16AA to 16B."

(7) In Schedule 29 (authorised lump sums - supplementary), in Part 1 (lump sum rule), in paragraph 1, for sub-paragraph (4A) substitute—

"(4A) A lump sum is an excluded lump sum if the pension in connection with which the member becomes entitled to it is a CMP-derived drawdown pension."

(8) In Schedule 32 (benefit crystallisation events - supplementary), for paragraph 2B substitute—

"2B (1) This paragraph applies for the purposes of benefit crystallisation event 1 where the sums or assets designated are, after the designation, held for the purposes of a CMP-derived drawdown pension.

(2) The amount crystallised by the event is to be reduced by the amount (or an appropriate proportion of the amount) crystallised on the individual becoming entitled to a scheme pension under the collective money purchase arrangement for the purposes of which the sums or assets were previously held."

(9) In consequence of the amendments made by the preceding provisions of this section, the following provisions of Schedule 5 to FA 2021 are omitted—

(a) paragraph 21(2)(b);

(b) paragraph 22(2).

(10) The Registered Pension Schemes (Transfer of Sums and Assets) Regulations 2006 (S.I. 2006/499) are amended in accordance with subsections (11) and (12).

(11) In regulation 3 (scheme pension payable by registered pension scheme - recognised transfers), at the end insert—

"(3) Paragraphs (1) and (2) do not apply in relation to a transfer within section 169(1) or (1A) of sums or assets which, before the transfer, were held for the purposes of paying CMP periodic income.

(4) Such a transfer is not a recognised transfer unless the sums and assets transferred are, after the transfer, applied towards the provision of a drawdown pension (within the meaning given by paragraph 4 of Schedule 28)."

(12) In regulation 5 (term and reduction in rate of scheme pension), in paragraph (1), in the opening words, for "3 or 4" substitute "3(1) or (2) or regulation 4,".

25 Relief relating to net pay arrangements

In FA 2004, in Part 4 (pension schemes etc), in Chapter 4 (certain tax reliefs and exemptions), after section 193 (relief under net pay arrangements) insert—

"**193A Net pay arrangements: relief where no income tax liability**

(1) This section applies where—

(a) an individual is entitled to be given relief in accordance with section 193 in respect of the payment of a contribution under a pension scheme,

(b) the individual is entitled to a personal allowance, in accordance with section 35(1) of ITA 2007 (personal allowance), for the tax year in which the payment is made ("the relevant tax year"), and

(c) the amount of the individual's total income for the relevant tax year does not exceed the personal allowance specified in section 35(1) of ITA 2007 for the relevant tax year.

(2) The Commissioners for His Majesty's Revenue and Customs must make arrangements to secure that, so far as reasonably practicable and subject to provision made under subsection (5), they pay to the individual the appropriate amount in relation to the contribution.

(3) The appropriate amount is—

(a) where the individual's total income for the relevant tax year plus the contribution does not exceed the personal allowance specified in section 35(1) of ITA 2007 for the relevant tax year, an amount equal to income tax at the relevant rate on the whole of the contribution, and

(b) where the individual's total income for the relevant tax year plus the contribution does exceed the personal allowance specified in section 35(1) of ITA 2007 for the relevant tax year, an amount equal to

income tax at the relevant rate on an amount calculated in accordance with this formula—

$$C - E$$

where—

C equals the whole of the contribution, and

E equals the amount by which the personal allowance is exceeded by the individual's total income for the relevant tax year plus the contribution.

(4) The arrangements must secure that an amount which the Commissioners are required to pay in relation to a contribution is paid as soon as reasonably practicable after the tax year in which the contribution is paid.

(5) The arrangements must include a procedure for the purposes of allowing an individual to whom an amount would otherwise have to be paid under subsection (2) to decline to receive that amount.

(6) For the purposes of income tax, apart from determining whether this section applies or calculating the appropriate amount in accordance with subsection (3), an amount paid to an individual in accordance with the arrangements is to be treated as if it were earnings within Chapter 1 of Part 3 of ITEPA 2003—

(a) from an employment in the relevant tax year, and

(b) in respect of duties performed in the United Kingdom.

(7) In subsection (3), "the relevant rate" is—

(a) where the individual is a Scottish taxpayer for the relevant tax year, the Scottish basic rate for that year,

(b) where the individual is a Welsh taxpayer for the relevant tax year, the Welsh basic rate for that year, and

(c) in all other cases, the basic rate for that tax year.

(8) In this section, "total income" has the meaning given by section 23 of ITA 2007 (the calculation of income tax liability).

(9) The Treasury may by regulations amend or otherwise modify this section.

(10) Regulations under subsection (9) may make different provision for different purposes."

Social security

26 Payments under Jobs Growth Wales Plus

(1) After section 776 of ITTOIA 2005 insert—

"**776A Payments under Jobs Growth Wales Plus**

(1) No liability to income tax arises in respect of a payment that is made—

(a) by way of training allowance under the Jobs Growth Wales Plus scheme, and

(b) to a person as a participant in that scheme.

(2) For this purpose the "Jobs Growth Wales Plus scheme" means the scheme under section 14 of the Education Act 2002 known as Jobs Growth Wales Plus."

(2) The amendment made by this section has effect in relation to payments made on or after 1 April 2022.

27 Power to clarify tax treatment of devolved social security benefits

(1) The Treasury may by regulations amend Chapter 3 of Part 10 of ITEPA 2003 (taxable UK social security benefits) so as to provide that a specified devolved social security benefit is chargeable to income tax.

(2) A "specified devolved social security benefit" means a social security benefit which is—

(a) payable under or by virtue of a post-commencement devolved enactment, and

(b) specified in regulations under this section.

(3) A "post-commencement devolved enactment" means an enactment which is—

(a) contained in, or in an instrument made under—

(i) an Act of the Scottish Parliament;

(ii) an Act of Senedd Cymru;

(iii) Northern Ireland legislation, and

(b) passed or made on or after the day on which this Act is passed.

(4) Regulations under this section may make—

(a) different provision for different cases;

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

(5) In section 655 of ITEPA 2003 (structure of Part 10), in subsection (2), at the end insert ";

section 27 of F(No. 2)A 2023 (power to clarify tax treatment of devolved social security benefits)."

Foster carers etc

28 Qualifying care relief: increase in individual's limit

(1) Chapter 2 of Part 7 of ITTOIA 2005 (qualifying care relief) is amended as follows.

(2) In section 808 (the individual's limit)—

(a) in subsection (2), for "£10,000" substitute "£18,140", and

(b) omit subsection (3) (which confers a power to amend that amount).

(3) In section 811 (the amount per adult or child)—

(a) in subsection (1A) (weekly amount for adult), for "£250" substitute "£450",

(b) in subsection (2)(a) (weekly amount for children under 11 years old), for "£200" substitute "£375",

(c) in subsection (2)(b) (weekly amount for older children), for "£250" substitute "£450", and

(d) omit subsection (3) (which confers a power to amend those amounts).

(4) After section 828 insert—

"**828A Indexation of the fixed amount and the amount per adult and child**

(1) This section provides for increases in the amounts specified in—

(a) section 808(2) (the fixed amount), and

(b) section 811(1A) and (2)(a) and (b) (the amount per adult or child),

if the consumer prices index for the September before the start of a tax year is higher than it was for the previous September.

(2) The amount specified in section 808(2) for the tax year is found as follows—

Step 1: multiply the amount for the previous tax year by the same percentage as the percentage increase in the consumer prices index.

Step 2: if the result of Step 1 is a multiple of £10, it is the increase for the tax year.

If the result of Step 1 is not a multiple of £10, round it up to the nearest amount which is a multiple of £10 and that amount is the increase for the tax year.

Step 3: add the increase for the tax year to the amount for the previous tax year and the result is the amount for the tax year.

(3) The amounts specified in section 811(1A) and (2)(a) and (b) for the tax year are found as follows—

Step 1: multiply the amount for the previous tax year by the same percentage as the percentage increase in the consumer prices index.

Step 2: if the result of Step 1 is a multiple of £5, it is the increase for the tax year.

If the result of Step 1 is not a multiple of £5, round it up to the nearest amount which is a multiple of £5 and that amount is the increase for the tax year.

Step 3: add the increase for the tax year to the amount for the previous tax year and the result is the amount for the tax year.

(4) Before the start of the tax year the Treasury must make an order replacing the amounts specified in the provisions listed in subsection (1) with the amounts which, as a result of this section, are the amounts for the tax year.

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

(5) In section 873(3) (orders made by Treasury etc not subject to negative resolution procedure), after paragraph (c) (but before the "or" at the end) insert—

"(ca) section 828A (qualifying care relief: indexation of amounts),".

(6) The amendments made by this section have effect for the tax year 2023-24 and subsequent tax years.

Estates in administration and trusts

29 Estates in administration and trusts

Schedule 2 contains amendments relating to estates in administration and trusts.

Provisions relating to insurance

30 Transfer of basic life assurance and general annuity business

(1) In Part 2 of FA 2012 (insurance companies carrying on long-term business), after section 130 insert—

"**130A Re-insurance in the course of transfer of BLAGAB**

(1) This section applies to a re-insurer in relation to the re-insurance of the whole, or part of, a cedant's basic life assurance and general annuity business, if—

(a) the business is not excluded business for the purposes of section 57(2)(e), and

(b) it is reasonable to suppose that the arrangements for the re-insurance are made, or are operated, in connection with an insurance business transfer scheme under which the business will be transferred to the re-insurer or a person connected with the re-insurer.

(2) Where the arrangements are operated, but were not made, in connection with the insurance business transfer scheme, this section is to apply to the re-insurer from the later of—

(a) the beginning of the accounting period in which it is reasonable to suppose that the arrangements were first operated in connection with the transfer, and

(b) 15 December 2022.

(3) Where this section applies in relation to re-insurance, that re-insurance (so far as it is of basic life assurance and general annuity business) is to be treated as excluded business for the purposes of section 57(2)(e) (and that business is referred to in this section as "the re-insured business").

(4) Accordingly—

(a) the re-insured business is, or forms part of, the separate basic life assurance and general annuity business of the re-insurer (see section 66(2)), and

(b) accounting profit or loss and the tax adjustments (within the meaning of section 114(4)) referable to the re-insured business are, for the purposes of provision made by or under this Part or Schedule 5 to FA 2022, to be allocated to the basic life assurance and general annuity business.

(5) But, subject to subsection (6), no amount referable to the re-insured business is to be included in the determination of the I-E profit of the re-insurer for an accounting period (and accordingly, subject to that subsection, the I-E profit referable to that business for the accounting period will be nil).

(6) Any BLAGAB trade loss relieved for an accounting period (see section 78(5)) that is referable to the re-insured business is to be included (as a deduction in Step 4 in section 76) in determining the adjusted BLAGAB management expenses of the re-insurer for the accounting period (which, accordingly, may result in the I-E profit referable to that business for the accounting period being greater than nil).

(7) Nothing in this section is to be taken to affect the liability of the cedant to corporation tax.

(8) For the purposes of this section "arrangements" includes any agreement, scheme, transaction or understanding (whether or not legally enforceable).

(9) Section 1122 of CTA 2010 (connected persons) has effect for the purposes of this section."

(2) The amendment made by this section is treated as having come into force on 15 December 2022 and applies to the re-insurance of basic life assurance and general annuity business whenever the arrangements for that re-insurance were made.

(3) Where, on or after 15 December 2022, a re-insurer adopts IFRS 17 in relation to one or more accounting periods that commence before that date, the amendment made by this section has effect, in relation to that re-insurer, for those accounting periods.

(4) In subsection (3) "IFRS 17" means International Financial Reporting Standard 17 (insurance contracts) issued by the International Accounting Standards Board.

31 Certain re-insurance sums not to count as deemed I-E receipts

(1) Section 92 of FA 2012 (certain BLAGAB trading receipts to count as deemed I-E receipts) is amended as follows.

(2) In subsection (5)—

(a) after paragraph (a) insert—

"(aa) sums paid to the company under re-insurance arrangements under which the re-insurer assumes substantially all of the insurance risks relating to the business that is re-insured,", and

(b) in paragraph (b), after "sums" insert ", other than sums falling within paragraph (aa),".

(3) In subsection (6), in the words before paragraph (a), after "contract" insert ", other than a sum falling within paragraph (aa),".

(4) The amendments made by this section have effect for accounting periods ending on or after 15 December 2022.

32 Insurers in difficulties: write-down orders for corporation tax purposes

(1) In Part 3 of CTA 2009 (trading income), after section 130 insert—

"**130A Insurers in financial difficulties: write-down orders**

(1) A receipt or expense that is attributable to the operation of a write-down order, or to a write-down order ceasing to have effect, is not brought into account in calculating the profits of a trade.

(2) In this section "write-down order" means an order under section 377A of the Financial Services and Markets Act 2000 (court order writing down liabilities of insurer)."

(2) Part 5 of CTA 2009 (loan relationships) is amended as follows.

(3) After section 323A insert—

"**323B Insurers in financial difficulties: write-down orders**

(1) Subsection (2) applies if a debtor relationship of a company is modified by a write-down order.

(2) The company is not required to bring into account for the purposes of this Part a credit in respect of any change in the carrying value of the liability representing the modified debtor relationship.

(3) If as a result of subsection (2) no credit was brought into account in respect of a change in the carrying value of a liability representing a debtor relationship, the company may not bring into account a debit for the purposes of this Part in respect of a change in the carrying value of that liability, to the extent that the change represents a reversal of the change in carrying value to which subsection (2) applied.

(4) In this section "write-down order" means an order under section 377A of the Financial Services and Markets Act 2000 (court order writing down liabilities of insurer)."

(4) In section 465B ("tax-adjusted carrying value"), in subsection (9), after paragraph (d) insert—

"(da) section 323B (insurers in financial difficulties: write-down orders),".

33 Insurers in difficulties: write-down orders in case of pension schemes

(1) In Part 4 of FA 2004 (pension schemes), Schedule 28 (registered pension schemes: authorised pensions - supplementary) is amended as follows.

(2) In paragraph 3 (definition of "lifetime annuity"), in sub-paragraph (2A)—

(a) the words after "by reason of the operation of" become paragraph (a);

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

(c) after that paragraph insert—

"(b) an order under section 377A of the Financial Services and Markets Act 2000 (court order writing down liabilities of insurer)."

(3) In paragraph 17 (definition of "dependants' annuity"), in sub-paragraph (2)—

(a) the words after "by reason of the operation of" become paragraph (a);

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

(c) after that paragraph insert—

"(b) an order under section 377A of the Financial Services and Markets Act 2000 (court order writing down liabilities of insurer)."

Miscellaneous corporation tax matters

34 Corporate interest restriction

Schedule 3 makes provision about corporate interest restriction and the tax treatment of financing costs and income.

35 Investment vehicles

Schedule 4 makes amendments to—

(a) Schedule 5AAA to TCGA 1992 (UK property rich collective investment vehicles etc),

(b) Part 12 of CTA 2010 (Real Estate Investment Trusts) and the Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006 (S.I. 2006/2867), and

(c) Schedule 2 to FA 2022 (qualifying asset holding companies).

International matters

36 Share exchanges involving non-UK incorporated close companies

(1) TCGA 1992 is amended in accordance with subsections (2) and (3).

(2) After section 138 (exchange of securities and schemes of reconstruction: procedure for clearance in advance) insert—

"**138ZA Share exchanges involving non-UK incorporated close companies**

(1) Section 138ZB applies where—

(a) section 135 or 136 applies to an issue by a company ("company B") of shares in or debentures of that company ("the exchanged shares or debentures") in exchange for or in respect of shares in or debentures of another company ("company A"),

(b) immediately before the issue is made, company A is a close company which is incorporated in the United Kingdom (whether or not it is resident in the United Kingdom),

(c) immediately after the issue is made, company B is a close company which is not incorporated in the United Kingdom (whether or not it is resident in the United Kingdom), and

(d) the person to whom the exchanged shares or debentures are issued ("P") is an individual who meets the conditions in subsection (2).

(2) Those conditions are that—

(a) immediately before the issue is made, P—
(i) has a material interest in company A, and
(ii) is a participator in company A, and
(b) immediately after the issue is made, P—
(i) has a material interest in company B, and
(ii) is a participator in company B.

(3) A person has a material interest in a company for the purposes of this section if condition A or B is met.

(4) Condition A is that the person, an associate of the person, or the person or an associate of the person together with one or more associates is—
(a) the beneficial owner of, or
(b) directly or indirectly able to control,
more than 5% of the ordinary share capital of the company.

(5) Condition B is that the person, an associate of the person, or the person or an associate of the person together with one or more associates possesses or is entitled to acquire such rights as would—
(a) in the event of the winding up of the company, or
(b) in any other circumstances,
give an entitlement to receive more than 5% of the assets which would then be available for distribution among the participators.

(6) Chapter 2 of Part 10 of CTA 2010 (meaning of "close company" and related terms) applies for the purposes of this section but with the omission of section 442(a) (exclusion of non-UK resident companies).

(7) In relation to a company that has no share capital, this section applies as if—
(a) references to shares in, or debentures of, the company included any interests of the company possessed by members of the company, and
(b) the reference in subsection (4) to the ordinary share capital of the company were to all such interests.

(8) In this section "ordinary share capital" has the meaning it has in the Corporation Tax Acts (see section 1119 of CTA 2010).

138ZB Treatment of securities connected with such exchanges

(1) Where this section applies (see section 138ZA), a security falling within subsection (2) is to be treated for the purposes of this Act as situated in the United Kingdom (whether or not it would otherwise be so treated) if—
(a) it is held by P, other than as a result of a disposal of the security by P's spouse or civil partner ("S") to P to which section 58 (no loss or gain on disposals between spouses or civil partners) did not apply, or
(b) is held by S, other than as a result of a disposal of the security by P to S to which that section did not apply.

(2) Those securities are as follows—
(a) the exchanged shares or debentures;
(b) a security of company B acquired by P on or after the day on which the exchanged shares or debentures are issued;

(c) where—

(i) there is a repo (within the meaning of section 263A) in respect of a security, and

(ii) that security falls within any of the paragraphs of this subsection (including this paragraph),

any similar security (see section 263AA(5) and (6)) that P, or a person connected with P, buys back under the repo;

(d) where—

(i) P transfers a security to another person under a stock lending arrangement (within the meaning of section 263B), and

(ii) that security falls within any of the paragraphs of this subsection (including this paragraph),

any security of a similar description (see section 263B(6)) transferred back to P under the arrangement;

(e) a security of a company issued to P where—

(i) the security is issued in exchange for, or in respect of, another security,

(ii) section 135 or 136 applies to that issue,

(iii) the other security falls within any of the paragraphs of this subsection (including this paragraph), and

(iv) P has a material interest in the company (within the meaning of section 138ZA(3));

(f) where a security of a company, other than company B, falls within paragraph (e), a security of that company acquired by P on or after the first day on which a security of that company fell within that paragraph.

(3) For the purposes of paragraphs (b), (f) and (e) of subsection (2), it does not matter whether or not—

(a) consideration was given for the security acquired by P, or

(b) the security acquired by P is of a different class from the exchanged shares or debentures.

(4) If S acquires a security falling within subsection (2) as a result of a disposal by P to which section 58 applies, subsections (2) and (3) have effect, from the time of its acquisition by S (whether or not S continues to hold it), as if every reference to "P" were to "P or S".

(5) In this section—

"company B", "P", and "the exchanged shares or debentures" are to be construed in accordance with section 138ZA;

"security" means—

(a) shares in, or debentures of, a company, or

(b) interests of a company that has no share capital that are possessed by members of the company.

138ZC Election to disapply section 135 or 136

(1) This section applies where section 138ZB would, but for an election under this section, apply in relation to the issue by a company of shares in or debentures

of that company in exchange for, or in respect of, shares in or debentures of another company.

(2) The person to whom the shares or debentures are issued may elect for section 135 or 136 not to apply to the issue, and accordingly—

(a) the exchange or scheme of reconstruction in question will not be treated as a reorganisation within the meaning of section 126, and

(b) section 138ZB will not apply in relation to the issue.

(3) An election under this section must be made on or before the first anniversary of the 31 January following the tax year in which the shares or debentures are issued."

(3) In section 288 (interpretation), in the definition of "close company", at the end insert "(subject to section 138ZA(6))".

(4) The amendments made by subsections (2) and (3) have effect in relation to an issue of shares or debentures made on or after 17 November 2022.

(5) In section 830 of ITTOIA 2005 (meaning of "relevant foreign income"), after subsection (3) insert—

"(3A) "Relevant foreign income" does not include income paid in respect of a security, within the meaning of section 138ZB of TCGA 1992, if—

(a) the security is treated, for the purposes of that Act, as situated in the United Kingdom as a result of section 138ZB of that Act, and

(b) that section applies in respect of the security as a result of an issue of shares in or debentures of a company in exchange for, or in respect of, shares in or debentures of another company that is incorporated, and is resident, in the United Kingdom."

(6) The amendment made by subsection (5) is treated as having come into force on 17 November 2022.

37 Records relating to transfer pricing

Schedule 5 makes provision about the keeping of records for the purposes of Part 4 of TIOPA 2010.

38 Double taxation relief: foreign nominal rates

(1) No extended time limit claim may be made on or after 20 July 2022 for a credit calculated by reference to a foreign nominal rate of tax unless subsection (2) or (3) applies in relation to the claim.

(2) This subsection applies in relation to an extended time limit claim if the adjustment in the amount of tax payable that gives rise to the claim—

(a) is not calculated by reference to a foreign nominal rate of tax, and

(b) occurred on or after 21 July 2016 but before 20 July 2022.

(3) This subsection applies in relation to an extended time limit claim if the claim relates to an accounting period that ended before 20 July 2022 ("the relevant accounting period") and as at that date—

(a) an appeal under section 31 of TMA 1970 against an assessment to tax in relation to the relevant accounting period has been brought but has not been finally determined or withdrawn,

(b) an enquiry under paragraph 5 of Schedule 1A to TMA 1970 into a claim in relation to the relevant accounting period could be opened or is in progress,

(c) an appeal against a conclusion stated in respect of such a claim, or an amendment of such a claim, as a result of an enquiry under that paragraph—

(i) could be brought, or

(ii) has been brought but has not been finally determined or withdrawn,

(d) an enquiry under Part 4 of Schedule 18 to FA 1998 into the company tax return for the relevant accounting period could be opened or is in progress, or

(e) an appeal against an amendment of that return as a result of an enquiry under that Part—

(i) could be brought, or

(ii) has been brought but has not been finally determined or withdrawn.

(4) An "extended time limit claim" is a claim under—

(a) section 79 of TIOPA 2010 (extended time limits for certain claims), or

(b) section 806(2) of ICTA (extended time limits for certain claims in relation to accounting periods to which section 79 of TIOPA 2010 does not apply).

Chargeable gains

39 Payments to farmers under the lump sum exit scheme etc

(1) An amount paid to a person ("P") under the lump sum exit scheme is—

(a) in a case where P satisfied the eligibility conditions when the payment was made, to be treated as an amount of capital nature that is treated as a chargeable gain accruing to P on the disposal of an asset for the purposes of TCGA 1992;

(b) in a case where P did not satisfy the eligibility conditions when the payment was made, to be treated as an amount of a revenue nature.

(2) Where—

(a) a person ("P") makes an application for a lump sum under the lump sum exit scheme,

(b) P satisfies the eligibility conditions at any time during the interim period, and

(c) during the interim period, an amount is paid to P under the basic payment scheme,

the amount is to be treated as an amount of capital nature that is treated as a chargeable gain accruing to P on the disposal of an asset for the purposes of TCGA 1992.

(3) Where—

(a) a person ("P") makes an application for a lump sum under the lump sum exit scheme,

(b) P does not satisfy the eligibility conditions at any time during the interim period, and

(c) during the interim period, an amount is paid to P under the basic payment scheme,

the amount is to be treated as an amount of a revenue nature.

(4) For the purposes of this section—

the "lump sum exit scheme" means the Agriculture (Lump Sum Payment) (England) Regulations 2022 (S.I. 2022/390);

the "basic payment scheme" means Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009;

"eligibility conditions" means the conditions in regulation 5 of the lump sum exit scheme;

the "interim period", in relation to P, means the period—

(a) beginning with the day on which the lump sum exit scheme came into force (see regulation 1(1) of that scheme), and

(b) ending with the scheme end date;

the "scheme end date" has the same meaning as in the lump sum exit scheme (see regulation 2(1) of that scheme).

(5) This section has effect in relation to amounts whether paid before or after the coming into force of this Act.

40 Contracts completed after ordinary notification period

(1) In TCGA 1992, after section 28 (time of disposal and acquisition where asset disposed of under contract) insert—

"**28A Contracts completed after ordinary notification period**

(1) This section applies in relation to chargeable gains or allowable losses accruing on the disposal and acquisition of an asset under a contract where the asset is conveyed or transferred after the ordinary notification period relating to the chargeable period in which the asset was disposed of and acquired in accordance with section 28.

(2) The following references are to be read as references to the chargeable period in which the conveyance or transfer takes place—

(a) the references in section 7(1C) of the Management Act (income tax and capital gains tax: period for giving notice of chargeability) to the year of assessment;

(b) the references in sections 34(1) and 36(1) and (1A) of the Management Act (income tax and capital gains tax: time limits for assessments) to the year of assessment to which an assessment relates;

(c) the reference in section 43(1) of the Management Act (income tax and capital gains tax: time limit for making claims) to the year of assessment to which a claim relates;

(d) the reference in paragraph 2(2) of Schedule 18 to the Finance Act 1998 (corporation tax: period for giving notice of chargeability) to the accounting period;

(e) the references in paragraph 46(1), (2) and (2A) of Schedule 18 to the Finance Act 1998 (corporation tax: time limits for assessments) to the accounting period to which an assessment relates;

(f) the reference in paragraph 55 of Schedule 18 to the Finance Act 1998 (general time limit for making claims) to the accounting period to which a claim for relief relates.

(3) For the purposes of subsection (1), the "ordinary notification period" relating to a chargeable period is—

(a) in the case of capital gains tax, the period of 6 months from the end of the chargeable period, and

(b) in the case of corporation tax, the period of 12 months from the end of the chargeable period.

(4) Where a claim, election, application or notice is made, given, revoked or varied by virtue of this section, all such adjustments shall be made, whether by way of discharge or repayment of tax or the making of amendments, assessments or otherwise, as are required to take account of the effect of the taking of that action on any person's liability to tax for any chargeable period."

(2) The amendment made by subsection (1) has effect—

(a) for the purposes of corporation tax, in relation to any disposal and acquisition of an asset under a contract that is entered into on or after 1 April 2023, and

(b) for all other purposes, in relation to any disposal and acquisition of an asset under a contract that is entered into on or after 6 April 2023.

41 Separated spouses and civil partners

(1) TCGA 1992 is amended in accordance with subsections (2) to (5).

(2) In Part 3 (individuals, partnerships, trusts and collective investment schemes), in Chapter 1 (miscellaneous provisions), in section 58 (spouses and civil partnerships), for subsection (1) substitute—

"(1A) If an individual ("A") disposes of an asset to another individual ("B") in circumstances where any of subsections (1B) to (1D) applies, A and B are to be treated as if B acquired the asset from A for a consideration of such amount as would secure that on the disposal neither a gain nor a loss would accrue to A.

(1B) This subsection applies where the disposal is made while A and B—

(a) are married to, or are civil partners of, each other, and

(b) are living together.

(1C) This subsection applies where the disposal is made—

(a) while A and B are married to, or are civil partners of, each other,

(b) at a time when A and B have ceased to live together, and

(c) on or before the earlier of—

(i) the last day of the third tax year after the tax year in which A and B ceased to live together, or

(ii) the day on which a court grants an order or decree for A and B's divorce, the annulment of their marriage, the dissolution or annulment of their civil partnership, their

judicial separation or, as the case may be, their separation in accordance with a separation order.

(1D) This subsection applies where—

(a) A and B have ceased to be, or are in the process of ceasing to be, married to, or civil partners of, each other, and

(b) the disposal of the asset is in accordance with an agreement or order within subsection (2)(a) or (b) of section 225B (disposals in connection with divorce etc), but as if, in subsection (2)(a), after "partner" there were inserted ", or former spouse or civil partner,"."

(3) In section 225B (disposals in connection with divorce etc)—

(a) in subsection (1)(b), after "to" insert "someone other than";

(b) in subsection (3), after "disposal to" insert "someone other than".

(4) After section 225B insert—

"**225BA Deferred payments on disposals in connection with divorce etc**

(1) This section applies where—

(a) an individual ("A") ceases to live with A's spouse or civil partner ("B") in a dwelling-house or part of a dwelling-house,

(b) immediately before A ceases to live with B, the dwelling-house or part is A's only or main residence,

(c) A disposes of, or of an interest in, that dwelling-house or part to B ("the initial disposal"), and

(d) the initial disposal is in accordance with a deferred sale agreement or order.

(2) If—

(a) in accordance with the deferred sale agreement or order A receives a sum in respect of a share of any profit made by B upon B's disposal of, or of an interest in, the dwelling-house or part, and

(b) the receipt of that sum would be treated (apart from this section) as a disposal falling with section 22 (disposal where capital sums derived from assets),

that receipt is to be treated for the purposes of this Act as a gain attributable to the initial disposal but accruing to A at the time the sum is received.

(3) In this section, a "deferred sale agreement or order" is an agreement or order of a court which—

(a) is within paragraph (a) or (b), as the case may be, of section 225B(2) (agreements and orders of the court in relation to divorce etc), and

(b) includes a term entitling A to receive a share of any profit made by B as mentioned in subsection (2)(a)."

(5) In Part 8 (supplemental), in section 288 (interpretation), in subsection (3), after "partner" insert "(however expressed)".

(6) The amendments made by this section apply in relation to disposals made on or after 6 April 2023.

42 Carried interest: election to pay tax as scheme profits arise

(1) TCGA 1992 is amended as follows.

(2) After section 103KF insert—

"**103KFA Election for carried interest gains to be chargeable as scheme profits arise**

(1) An individual ("A") may make an election under this section in respect of an investment scheme ("the relevant scheme") if—

(a) section 103KA applies in relation to A and the relevant scheme, or

(b) it is reasonable to expect that it will apply in relation to A and the relevant scheme.

(2) Subsection (3) applies for a tax year ("the relevant tax year") where an election made under this section has effect for that tax year.

(3) A chargeable gain is deemed to arise to A in the relevant tax year and is to be treated as accruing to A immediately before the end of the relevant tax year.

(4) The amount of the gain is the amount given by reducing—

(a) the amount of carried interest that would arise to A in the relevant tax year in the circumstances mentioned in subsection (5), by

(b) the sum of chargeable gains deemed to arise to A under this section in respect of the relevant scheme in previous tax years.

(5) Those circumstances are that—

(a) all of the investments held by the relevant scheme in the relevant tax year, and previously held by the scheme, whose disposal would be relevant to A's entitlement to carried interest, were disposed of in the relevant tax year,

(b) the amount realised on the disposal of each investment that was not actually disposed of in, or before, the relevant tax year were the amount of the costs to the relevant scheme in acquiring that investment,

(c) all income that was received by the scheme (whether before or during the relevant tax year) and that would be relevant to A's entitlement to carried interest, were received in the relevant tax year, and

(d) all profits realised by the scheme as a result of those disposals and the receipt of that income were distributed to its investors in the relevant tax year.

(6) Where—

(a) distributions were made by the scheme to external investors before the relevant tax year, and

(b) the timing of those distributions affects the amount of carried interest that actually arises to A,

the amount of carried interest to be presumed to arise in the circumstances mentioned in subsection (5) is to reflect the fact those distributions were made before the relevant tax year.

(7) But if reflecting that fact would lead to a presumption that an amount of carried interest had arisen before the relevant tax year, any such amount is to be presumed to arise in the relevant tax year.

(8) A chargeable gain treated as accruing to an individual under subsection (3) is a chargeable gain accruing on the disposal of an asset situated outside the United Kingdom only to the extent that the individual performs investment management services in respect of the relevant scheme outside the United Kingdom.

(9) An election under this section—

(a) must be made by notice given to an officer of Revenue and Customs, and

(b) may not be revoked.

(10) A notice making an election—

(a) must state the first tax year for which it is to have effect, and

(b) may not be given after 31 January following the end of that tax year.

103KFB Election in relation to scheme to apply to associated schemes

(1) Where an election has been made under section 103KFA in relation to an investment scheme ("S") that is associated with another investment scheme, the election applies in respect of the other scheme (whether or not the conditions for an election to be made in respect of the other scheme were met at that time).

(2) "Associated", in relation to two or more investments schemes, is to be construed in accordance with section 809FZZ of ITA 2007.

103KFC Interaction with other charges

(1) The accrual of a chargeable gain treated as accruing to an individual under section 103KFA(3) does not prevent the individual or any other person being charged to tax (whether income tax, capital gains tax or any other tax, and including as a result of section 103KA) in relation to carried interest that arises to the individual under arrangements with the relevant scheme.

(2) But subsection (3) applies where an individual—

(a) has made an election under section 103KFA,

(b) has accrued a chargeable gain treated as accruing under section 103KFA(3),

(c) has paid (and has not been repaid) an amount of capital gains tax that is attributable to that chargeable gain, and

(d) is charged to tax (whether income tax, capital gains tax or another tax) in relation to carried interest that—

(i) arises to the individual under arrangements with the relevant scheme, and

(ii) arises in or after the tax year in which a gain first accrued under that section.

(3) The individual may make a claim for one or more consequential adjustments to be made reducing the tax mentioned in subsection (2)(d).

(4) On a claim under subsection (3) an officer of Revenue and Customs must make such of the consequential adjustments claimed (if any) as are just and reasonable.

(5) The value of any consequential adjustments made must not exceed the lesser of—

(a) the amount of capital gains tax paid as mentioned in subsection (2)(c), and

(b) the tax charged as mentioned in subsection (2)(d).

(6) Consequential adjustments may be made—

(a) in respect of any period, and

(b) by way of an assessment, the modification of an assessment, the amendment of a claim, or otherwise.

(7) No claim may be made under section 103KE (carried interest: avoidance of double taxation) in respect of tax charged as a result of the accrual of a chargeable gain treated as accruing to an individual under section 103KFA(3).

103KFD Deemed accrual of loss where carried interest never arises

(1) Subsection (3) applies where—

(a) an individual has made an election under section 103KFA,

(b) the individual has accrued a chargeable gain treated as accruing under section 103KFA(3), and

(c) the conditions in subsection (2) are met.

(2) Those conditions are that—

(a) all, or substantially all, of the investments of the relevant scheme have been disposed of,

(b) the amount of carried interest that has arisen to the individual in respect of the relevant scheme since the beginning of the first tax year in which a gain is treated as accruing under section 103KFA(3) is less than the sum of chargeable gains treated as accruing to the individual under that section, and

(c) no further amount of carried interest can reasonably be expected to arise to the individual under arrangements with the relevant scheme.

(3) The individual is to be treated as accruing a loss immediately before the end of the tax year in which the conditions in subsection (2) are first met.

(4) The amount of that loss is the amount given by subtracting—

(a) the amount of carried interest that arose to the individual in respect of the relevant scheme since the beginning of the first tax year in which a gain is treated as accruing under section 103KFA(3), from

(b) the sum of the chargeable gains that have accrued under section 103KFA(3) (including any gain that accrues in respect of the tax year in which the loss accrues).

(5) Where a loss has accrued to an individual as a result of subsection (3)—

(a) section 103KFA(3) does not apply (in relation to the individual and the relevant scheme) for any tax year after the tax year in which the loss accrued, and

(b) if carried interest arises to the individual in respect of the relevant scheme after the loss accrued, the individual may not make a claim under section 103KFC(3) in respect of tax charged in relation to it.

103KFE Anti-avoidance

(1) This section applies where an election was made by an individual under section 103KFA and the main purpose, or one of the main purposes, of making the election is to cause a loss to be treated as accruing to the individual under subsection (3) of section 103KFD.

(2) Any such loss that would (in the absence of this section) accrue to the individual under that subsection is to be counteracted by the making of such adjustments as are just and reasonable.

(3) 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, or

(c) amendment or disallowance of a claim, or otherwise."

(3) In section 1H (the main rates of CGT), in subsection (9)—

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

(b) after that paragraph insert—

"(aa) under section 103KFA(3) (gains on deemed carried interest where election made), or".

(4) The amendments made by this section have effect for the tax year 2022-23 and subsequent tax years.

43 Relief on disposal of joint interests in land

(1) In section 248A of TCGA 1992 (roll-over relief on disposal of joint interests in land: conditions), at end insert—

"(8) Section 248B applies in relation to cases where, immediately before the disposal, the land is held by a partnership comprising the landowner and the co-owner or co-owners (whether the partnership is formed in Scotland or elsewhere) as it applies in relation to other cases (and the partners are regarded as the landowner and the co-owner or co-owners for the purposes of this section and section 248B)."

(2) In section 248E of TCGA 1992 (relief on disposal of joint interests in private residence), at end insert—

"(9) This section applies in relation to cases where, immediately before the disposal, the land is held by a partnership comprising the landowner and the co-owner or co-owners (whether the partnership is formed in Scotland or elsewhere) as it applies in relation to other cases (and the partners are regarded

as the landowner and the co-owner or co-owners for the purposes of this section).”

(3) The amendments made by this section have effect in relation to disposals made on or after 6 April 2023.

Changes to legislation:
There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Part 1.