

FINANCE ACT 2010

EXPLANATORY NOTES

INTRODUCTION

Section 24 Schedule 3: Sideways Relief Etc

Details of the Schedule

2. Paragraph 2 adds a reference to “capital gains relief” in section 60(1)(c) of the Income Tax Act 2007 (ITA) in the overview of Chapter 2.
3. Paragraphs 3 and 4 make consequential amendments in sections 64(8) and 72(5) of ITA respectively relating to the introduction of new section 74ZA of ITA and the repeal of section 81 of ITA.
4. Paragraph 5 inserts new section 74ZA (No relief for tax-generated losses).
5. New section 74ZA(1) provides that this section applies if a person makes a loss in a tax year from carrying on a trade, profession or vocation, either in a sole capacity or as a partner, and that loss arises directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements (as defined in new section 74ZA(3)).
6. Section 74ZA(2) provides that no sideways relief or capital gains relief may be given to the person for the loss within section 74ZA(1). This restriction is subject to section 74ZA(5).
7. Section 74ZA(3) defines “relevant tax avoidance arrangements” for the purposes of section 74ZA(1).
8. Section 74ZA(4) defines “arrangements” for the purposes of section 74ZA(3).
9. Section 74ZA(5) provides an exception where a loss derives wholly from qualifying film expenditure defined in section 74D of ITA.
10. Section 74ZA(6) defines capital gains relief for the purpose of this section. The definition of sideways relief is in section 60(4) of ITA.
11. Paragraph 6 repeals section 74B of ITA.
12. Paragraphs 7 and 8 make consequential amendments to sections 74C and 74D of ITA relating to the repeal of section 74B of ITA.
13. Paragraph 9 repeals section 81 of ITA.
14. Paragraph 10 makes consequential amendments to Schedule 6 to the Finance Act 2009 relating to the introduction of new section 74ZA of ITA and the repeal of section 81 of ITA.
15. Paragraph 11 provides commencement rules.