STATUTORY INSTRUMENTS

2013 No. 2571

ANNUAL TAX ON ENVELOPED DWELLINGS

The Annual Tax on Enveloped Dwellings Avoidance Schemes (Prescribed Descriptions of Arrangements) Regulations 2013

Made - - - -	*9th October 2013*
Laid before the House of Commons - - - -	*10th October 2013*
Coming into force - -	*4th November 2013*

The Treasury in exercise of the powers conferred upon them by sections 306(1)(a) and 317(2) of the Finance Act 2004(**1**) make the following Regulations:

Citation, commencement and interpretation

1. These Regulations may be cited as the Annual Tax on Enveloped Dwellings Avoidance Schemes (Prescribed Descriptions of Arrangements) Regulations 2013 and come into force on 4th November 2013.

2. In these Regulations—

"chargeable interest" has the meaning given by section 107 of the Finance Act 2013(**2**);

"company" has the meaning given by section 166(1) of the Finance Act 2013;

"collective investment scheme" refers to a scheme as described by section 235(1) of the Financial Services and Markets Act 2000(**3**); and

"partnership" has the meaning given by section 167(1) of the Finance Act 2013.

3. In regulation 4(2)(a) and the Schedule reference to meeting the "ownership condition" is to be read in accordance with section 94(4) to (7) of the Finance Act 2013.

Prescribed description of arrangements in relation to annual tax on enveloped dwellings

4.—(1) For the purposes of Part 7 of the Finance Act 2004 (disclosure of tax avoidance schemes) the arrangements specified in paragraph (2) are prescribed in relation to annual tax on enveloped dwellings.

(**1**) 2004 c. 12. Section 317(2) was amended by paragraph 8 of Schedule 17 to the Finance Act 2010 (c. 13).
(**2**) 2013 c. 29.
(**3**) 2000 c. 8.

(2) Arrangements are prescribed if they are not excluded arrangements under the Schedule and as a result of any element of the arrangements—

(a) a company, partnership or collective investment scheme ceases to meet the ownership condition in respect of the chargeable interest;

(b) the taxable value of the chargeable interest is reduced to £2 million or less; or

(c) the taxable value of the chargeable interest is reduced with the consequence that a lower annual chargeable amount applies than that which otherwise would have applied.

(3) In this regulation—

(a) reference to a lower annual chargeable amount applying is to be read in accordance with the table at section 99(4) of the Finance Act 2013; and

(b) reference to "taxable value" is to be read in accordance with section 102 of the Finance Act 2013.

Anne Milton
David Evennett
Two of the Lords Commissioners of Her Majesty's Treasury

9th October 2013

SCHEDULE

Regulation 4(2)

Excluded Arrangements

Arrangements are excluded arrangements if they comprise a transfer of the chargeable interest from a company, partnership or collective investment scheme (a "transferor") to a transferee where one or more of the following applies.

1. The transfer is on such terms as would reasonably be expected to be agreed between unconnected persons.

2. The transferor and the transferee are members of the same group of companies and the transferee meets the ownership condition.

3. The transfer constitutes a distribution out of the assets of the transferor, and the transferee is an individual, a corporation sole, a trustee or a person who meets the ownership condition.

4. The transfer constitutes a settlement.

In paragraph 1 reference to being "unconnected persons" is to be read in accordance with section 1122 of the Corporation Tax Act 2010(**4**).

In paragraph 2 reference to companies being "members of the same group of companies" is to be read in accordance with section 152 of the Corporation Tax Act 2010.

In paragraph 4 "settlement" has the meaning given by section 43 of the Inheritance Tax Act 1984(**5**).

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations prescribe arrangements which enable or might be expected to enable any person to obtain a tax advantage in relation to annual tax on enveloped dwellings, and which a promoter is required to notify to HMRC.

Regulation 4 prescribes arrangements in relation to annual tax on enveloped dwellings which must be notified to HMRC under Part 7 of the Finance Act 2004 (c. 12). The duty to notify does not arise in the cases specified in the Schedule.

A Tax Information and Impact Note covering this instrument was published on 15th July 2013 and is available on the HMRC website at http://www.hmrc.gov.uk/tiin/high-val-res-prop-non-naturals.pdf. It remains an accurate summary of the impacts that apply to this instrument.

(**4**) 2010 c. 4.
(**5**) 1984 c. 51.