

SCHEDULES

SCHEDULE 1

Section 882

CONSEQUENTIAL AMENDMENTS

PART 1

INCOME AND CORPORATION TAXES ACT 1988

- 1 The Income and Corporation Taxes Act 1988 (c. 1) is amended as follows.
- 2 In section 1(1) (the charge to income tax)—
 - (a) omit paragraph (a), and
 - (b) omit the word “and” at the end of paragraph (b) and after that paragraph insert—
 - “(ba) all amounts which are charged to tax under any of the following provisions of ITTOIA 2005—
 - (i) Part 2 (trading income),
 - (ii) Part 3 (property income),
 - (iii) Part 4 (savings and investment income), and
 - (iv) Part 5 (miscellaneous income), and”.
- 3 (1) Amend section 1A (application of lower rate to income from savings and distributions) as follows.
 - (2) In subsection (1AA)—
 - (a) in paragraph (a) for “Schedule F” substitute “Chapter 3, 5 or 6 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc., stock dividends from UK resident companies and loans to participators)”, and
 - (b) for paragraph (b) substitute—
 - “(b) dividends chargeable under Chapter 4 of Part 4 of that Act (dividends from non-UK resident companies) or relevant foreign distributions chargeable under Chapter 8 of Part 5 of that Act (income not otherwise charged).”
 - (3) In subsection (1A)—
 - (a) in paragraph (a)—
 - (i) for “Schedule F”, in the first place where it occurs, substitute “Chapter 3, 5 or 6 of Part 4 of ITTOIA 2005”, and
 - (ii) for “Schedule F”, in the second place where it occurs, substitute “dividend”, and
 - (b) for paragraph (b) and the word “and” at the end of the paragraph substitute—
 - “(b) in the case of dividends chargeable under Chapter 4 of Part 4 of that Act or relevant foreign distributions chargeable

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under Chapter 8 of Part 5 of that Act, the dividend ordinary rate; and”.

(4) In subsection (2)—

(a) in paragraph (a) for the words from “chargeable under” to “section 119” substitute

“(other than relevant foreign income) chargeable under—

(i) Chapter 2 of Part 4 of ITTOIA 2005 (charge on interest);

(ii) Chapter 7 of that Part of that Act (charge on purchased life annuity payments) other than income from annuities specified in section 718(2) of that Act; or

(iii) Chapter 8 of that Part of that Act (charge on profits from deeply discounted securities);”.

(b) in paragraph (aa) omit “under Case VI of Schedule D”.

(c) in paragraph (b) for “Schedule F” substitute “Chapter 3, 5 or 6 of Part 4 of ITTOIA 2005”.

(d) in paragraph (c) for “equivalent foreign income” substitute “income falling within subsection (3) below”, and

(e) in paragraph (d) for “547(1)(a) (chargeable event gains on life policies etc)” substitute “465 of ITTOIA 2005 (gains from contracts for life insurance etc.)”.

(5) For subsection (3) substitute—

“(3) The income which falls within this subsection is any relevant foreign income which—

(a) would fall within subsection (2)(a) but for the exclusion of relevant foreign income;

(b) is a dividend chargeable under Chapter 4 of Part 4 of ITTOIA 2005; or

(c) is a relevant foreign distribution chargeable under Chapter 8 of Part 5 of that Act.”

(6) In subsection (4)—

(a) in paragraph (a), for the words from “income” to “Kingdom” substitute “relevant foreign income which is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis)”, and

(b) omit paragraph (b) and the word “or” at the end of paragraph (a).

(7) In subsection (5)—

(a) for “section 550” substitute “sections 535 to 537 of ITTOIA 2005”, and

(b) in paragraph (b)(i) for “Schedule F” substitute “Chapter 3, 5 or 6 of Part 4 of ITTOIA 2005”, and

(c) in paragraph (b) for sub-paragraph (ii) substitute—

“(ii) dividends chargeable under Chapter 4 of Part 4 of that Act (if any) or relevant foreign distributions chargeable under Chapter 8 of Part 5 of that Act (if any),”.

(8) In subsection (6) for “section 550” substitute “sections 535 to 537 of ITTOIA 2005”.

- (9) Omit subsection (7).
- (10) After subsection (7) insert—
- “(8) In this section “relevant foreign distribution” means any distribution of a company not resident in the United Kingdom which—
- (a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but
 - (b) would be chargeable under Chapter 3 of that Part of that Act if the company were resident in the United Kingdom.
- (9) And, for the meaning of “relevant foreign income”, see section 832(1).”
- 4 (1) Amend section 1B (rates of tax applicable to Schedule F income) as follows.
- (2) In subsection (1)—
- (a) for paragraphs (a) and (b) substitute—
 - “(a) income chargeable under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.) (if any), and
 - (b) dividends chargeable under Chapter 4 of Part 4 of that Act (dividends from non-UK resident companies) (if any) or relevant foreign distributions chargeable under Chapter 8 of Part 5 of that Act (income not otherwise charged) (if any),” and
 - (b) for “Schedule F”, in the second place where it occurs, substitute “dividend”.
- (3) In subsection (2) for “Schedule F”, in both places where it occurs, substitute “dividend”.
- (4) After subsection (2) insert—
- “(3) In this section “relevant foreign distribution” has the same meaning as in section 1A (see subsection (8) of that section).”
- (5) In the side-note for the section for “Schedule F” substitute “distribution”.
- 5 In section 4 (construction of references in Income Tax Acts to deduction of tax), omit subsection (1B).
- 6 After section 6(4) (the charge to corporation tax and exclusion of income tax and capital gains tax) insert—
- “(4A) In sections 74(1), 79(1), 79A(1), 79B(1), 83A(1), 84(1), 86(1), 86A(2)(a), 87(1), (2) and (4), 88, 89, 90(1) and (3), 94(1), 100(2)(b), 101, 102, 401(1), 491(10), 577(7)(b), 579(2), 588(3), 589A(8) and 817(2), and in paragraph 5(11) of Schedule 30, “profession” includes vocation.”
- 7 (1) Amend section 9 (computation of income: application of income tax principles) as follows.
- (2) After subsection (2) insert—
- “(2A) But no income shall be computed, and no assessment shall be made, for purposes of corporation tax under ITTOIA 2005.

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- (2B) Instead, income shall continue to be computed, and the assessment shall continue to be made, for purposes of corporation tax under Schedules A and D and the Cases of Schedule D.
- (2C) For (but only for) the purpose of continuing to apply for purposes of corporation tax, those Schedules and Cases are treated as if they were still part of income tax law (and therefore applied in accordance with subsection (1) above for purposes of corporation tax).”
- (3) In subsection (3)(a)—
- (a) for “, D and F,” substitute “and D”;
 - (b) for “those Schedules” substitute “Schedule D”, and
 - (c) omit “, as they apply for purposes of income tax”.
- (4) In subsection (4) after “Acts” insert “(other than ITTOIA 2005)”.
- (5) In subsection (6) omit “60 to 69,”.
- 8 (1) Amend section 15 (Schedule A) as follows.
- (2) In subsection (1A)—
- (a) in paragraph (b) for “within the charge to income tax under Schedule A” substitute “the profits of a UK property business within the charge to income tax under Chapter 3 of Part 3 of ITTOIA 2005”, and
 - (b) for “as separate Schedule A businesses” substitute “for the purposes of those charges as separate businesses”.
- (3) Before subsection (4) insert—
- “(3A) Subsection (1) applies for corporation tax purposes (and does not apply for income tax purposes except so far as necessary to ensure its application for corporation tax purposes by virtue of section 9).”
- (4) In subsection (4) at the end insert “and under Chapter 3 of Part 3 of ITTOIA 2005 (profits of a property business)”.
- 9 (1) Amend section 18 (Schedule D) as follows.
- (2) After subsection (4) insert—
- “(4A) Subsections (1) to (4) apply for corporation tax purposes (and do not apply for income tax purposes except so far as necessary to ensure their application for corporation tax purposes by virtue of section 9).”
- (3) In subsection (5) at the end insert “and under ITTOIA 2005 (see, in particular, the charge under Chapter 2 of Part 2 of that Act (trade profits))”.
- (4) Omit subsection (6).
- 10 Omit section 20 (Schedule F).
- 11 Omit section 21 (persons chargeable and basis of assessment under Schedule A).
- 12 (1) Amend section 21A (computation of amount chargeable under Schedule A) as follows.
- (2) In subsection (2) omit “sections 112 and 113 of that Act (expenditure in connection with provision of security asset or service);”.

- (3) In subsection (4)—
- (a) omit “section 82 (interest paid to non-residents),” and
 - (b) omit “section 96 (farming and market gardening: relief for fluctuating profits),”.
- 13 In section 21B (application of other rules applicable to Case I of Schedule D)—
- (a) omit “, 108, 109A”,
 - (b) after “(post-cessation receipts and expenses, etc)” insert “, with any reference to a trade within the charge to income tax being read as a reference to a UK property business”, and
 - (c) omit “section 113 (effect for income tax purposes of change in the persons engaged on trade);”.
- 14 In section 21C (the Schedule A charge and mutual business)—
- (a) in subsection (1) after “the charge to” insert “corporation”, and
 - (b) in subsection (4) from the beginning to “the person who would” substitute “The company to which the profit arises is the company which would”.
- 15 (1) Amend section 30 (expenditure on making sea walls) as follows.
- (2) In subsection (1) for “he shall be” substitute “that person shall be”.
 - (3) In subsection (2) for “he would be” substitute “that person would be”.
 - (4) After that subsection insert—
 - “(2A) If—
 - (a) the transferor is a company within the charge to corporation tax and the transferee is a person within the charge to income tax, or
 - (b) the transferor is a person within the charge to income tax and the transferee is a company within the charge to corporation tax,subsection (2) above shall apply only for the purpose of determining the amount of the payment which the company is treated as making in any year of assessment.
- For any entitlement of the person within the charge to income tax to a deduction for any of the expenditure, see sections 316 and 318 of ITTOIA 2005 (corresponding income tax provision).”
- 16 Omit sections 31A and 31B (deductions for expenditure by landlords on energy-saving items).
- 17 (1) Amend section 34 (treatment of premiums etc. as rent) as follows.
- (2) In subsection (1) for “the purposes of the Tax Acts” substitute “corporation tax purposes”.
 - (3) In subsection (6)—
 - (a) for “that other person” substitute “if that other person is a company, the company”,
 - (b) for “tax” substitute “corporation tax”,
 - (c) for “he” substitute “the company”, and
 - (d) for “his” substitute “its”.
 - (4) In subsection (7A) for “chargeable” substitute “accounting”.

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- (5) In subsection (8)—
- (a) for “person” substitute “company”,
 - (b) for “tax”, wherever it occurs, substitute “corporation tax”, and
 - (c) for “his” substitute “the company's”.
- 18 (1) Amend section 35 (charge on assignment of lease granted at an undervalue) as follows.
- (2) In subsection (2) for “him in consequence of his” substitute “the assignor in consequence of the assignor's”.
 - (3) In subsection (2A)(b) for “chargeable” substitute “accounting”.
 - (4) In subsection (3) for “tax” substitute “corporation tax”.
- 19 (1) Amend section 36 (charge on sale of land with right to reconveyance) as follows.
- (2) In subsection (1)—
 - (a) for “him”, in both places where it occurs, substitute “the vendor”, and
 - (b) for “his” substitute “the vendor's”.
 - (3) In subsection (2)(b)—
 - (a) for “tax” substitute “corporation tax”, and
 - (b) for “him” substitute “the vendor”.
 - (4) In subsection (3) for “him” substitute “the vendor”.
 - (5) In subsection (4A)(b) for “chargeable” substitute “accounting”.
- 20 (1) Amend section 37 (premiums paid etc: deductions from premiums and rent received) as follows.
- (2) In subsection (1)—
 - (a) omit “or” at the end of paragraph (a),
 - (b) after paragraph (b) insert—
 - “(c) any amount falls to be treated as a receipt of a UK property business by virtue of any of sections 277 to 282 of ITTOIA 2005 (receipts in respect of lease premiums, sums payable instead of rent, for surrender of lease and for variation or waiver of term of lease and assignments), or
 - (d) any amount would fall to be so treated but for the operation of the rule in section 288 of that Act (the additional calculation rule),” and
 - (c) after “this section” insert “and section 37A”.
 - (3) In subsection (2)—
 - (a) for “person” substitute “company”, and
 - (b) for “he” substitute “the company”.
 - (4) In subsection (3)—
 - (a) for “person” substitute “company”, and
 - (b) for “he” substitute “the company”.
 - (5) In subsection (4)—

- (a) for “the person” substitute “a company which is”, and
- (b) for “he” substitute “the company”.

(6) In subsection (7)(b) after sub-paragraph (ii) insert—

“(iii) where it arose under Chapter 4 of Part 3 of ITTOIA 2005 (profits of property businesses: lease premiums etc.), shall be its receipt period (within the meaning of that Chapter (see section 288(6)).”

(7) In subsection (8) after “section 34(2)” insert “or under section 277 of ITTOIA 2005 by virtue of section 278 of that Act (amount treated as lease premium where work required)”.

(8) In subsection (9)—

- (a) for “tax” substitute “income tax or corporation tax”, and
- (b) at the end insert “or if it has been deducted under the rule in section 288 of ITTOIA 2005 (the additional calculation rule) in calculating the amount of a receipt of a property business (within the meaning of that Act) under Chapter 4 of Part 3 of that Act.”

(9) At end insert—

“(10) In the application of this section to Scotland the reference to a lease being granted out of the head lease is to the grant of a sublease of land subject to the head lease.”

21 After section 37 insert—

“37A Section 37(4) and reductions in receipts under ITTOIA 2005

(1) This section applies if—

- (a) in calculating the amount that falls to be treated as a receipt of a UK property business under Chapter 4 of Part 3 of ITTOIA 2005 (“the ITTOIA receipt”), there is a reduction under section 288 of that Act by reference to a taxed receipt, and
- (b) the taxed receipt is the amount chargeable on the superior interest for the purposes of section 37.

(2) Section 37(4) shall apply for the period in respect of which the ITTOIA receipt arose only if the appropriate fraction of the amount chargeable on the superior interest exceeds the amount of the ITTOIA receipt given by the formula in section 277, 279, 280, 281 or 282 of ITTOIA 2005, as the case may be.

(3) Section 37(4) shall then apply as if the amount chargeable on the superior interest were reduced in the proportion which that excess bears to that appropriate fraction.

(4) Subsection (5) applies if—

- (a) the ITTOIA receipt is in respect of a lease granted out of the taxed lease,
- (b) the taxed lease is the head lease for the purposes of section 37, and
- (c) the lease granted as mentioned in paragraph (a) does not extend to the whole of the premises subject to the head lease.

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(5) Section 37(4) and subsections (2) and (3) above shall be applied separately to the part of the premises subject to the lease and to the remainder of the premises, but as if for any reference to the amount chargeable on the superior interest there were a reference to that amount proportionately adjusted.

(6) For the purposes of this section the appropriate fraction of the amount chargeable on the superior interest is the fraction—

$$\frac{A}{B}$$

where—

A is the period in respect of which the ITTOIA receipt arose, and

B is the period in respect of which the amount chargeable on the superior interest arose for the purposes of section 37.

(7) For the purposes of this section the period in respect of which an ITTOIA receipt arose is its receipt period (within the meaning of Chapter 4 of Part 3 of ITTOIA 2005 (see section 288(6))).

(8) In this section the following expressions have the same meaning as in Chapter 4 of Part 3 of ITTOIA 2005—

“reduction under section 288 by reference to a taxed receipt” (see section 290(6) of that Act),

“taxed lease” (see section 287(4) of that Act), and

“taxed receipt” (see section 287(4) of that Act).

(9) In the application of this section to Scotland, references to a lease granted out of a taxed lease are to be construed as references to a sublease of land subject to the taxed lease.”

22 (1) Amend section 38 (rules for ascertaining duration of leases) as follows.

(2) In subsection (2) for “tax” substitute “corporation tax”.

(3) In subsection (4) for “tax advantage in the application of this Part” substitute “corporation tax advantage in the application of this Part or an income tax advantage in the application of Chapter 4 of Part 3 of ITTOIA 2005”.

23 In section 40 (tax treatment of receipts and outgoings on sale of land)—

(a) in subsection (1)—

(i) after “for the purposes of” insert “corporation”, and

(ii) for “him” substitute “the purchaser”,

(b) in subsection (2) after “for the purposes of” insert “corporation”, and

(c) in subsection (3)—

(i) after “for the purposes of” insert “corporation”, and

(ii) for “him” substitute “the vendor”.

24 (1) Amend section 42 (appeals against determinations under sections 34 to 36) as follows.

(2) In subsection (1)—

(a) after “determination of” insert “—

(a)”,

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- (b) for “to tax” substitute “to corporation tax”, and
 - (c) after “35 or 36” insert “, or
 - (b) any amount that under Chapter 4 of Part 3 of ITTOIA 2005 (profits of property businesses: lease premiums etc.) is brought into account as a receipt in calculating the profits of a property business (within the meaning of that Act),”.
- (3) At the end of the side-note insert “or Chapter 4 of Part 3 of ITTOIA 2005”.
- 25 (1) Amend section 42A (non-residents and their representatives) as follows.
- (2) In subsection (1) for “under Schedule A on the income of any person” substitute “—
 - (a) under Schedule A, or
 - (b) as the profits of a UK property business, under Chapter 3 of Part 3 of ITTOIA 2005,on the income of any person”.
- (3) In subsection (2)(a) after “Schedule A business” insert “, or a UK property business”.
- 26 In section 43B(2) (transfer of rent)—
 - (a) after “paragraph 1(1) of Schedule A” insert “or in the course of a UK property business”, and
 - (b) after “Schedule A business” insert “or the UK property business”.
- 27 (1) Amend section 43C (transfer of rent: exceptions, etc.) as follows.
- (2) In subsection (3)—
 - (a) omit “or” at the end of paragraph (a), and
 - (b) after paragraph (b) insert—
 - “(c) section 284 of ITTOIA 2005 applies, or
 - (d) that section would apply if the price at which an estate or interest is sold were to exceed the price at which it is to be reconveyed.”
- (3) After subsection (4) insert—
“(4A) If—
 - (a) section 285 of ITTOIA 2005 would apply in relation to a finance agreement, and
 - (b) section 43B applies in relation to the agreement,section 285 of ITTOIA 2005 shall not apply.”
- (4) In subsection (6)—
 - (a) after “brought into account” insert—
 - “(a)”,
 - and
 - (b) at the end insert “or
 - (b) in computing under Chapter 2 of Part 2 of ITTOIA 2005 the profits of a trade carried on wholly or partly in the United Kingdom.”
- 28 In section 43D(2) (interposed lease)—

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- (a) after “paragraph 1(1) of Schedule A” insert “or in the course of a UK property business”, and
 - (b) after “Schedule A business” insert “or the UK property business”.
- 29 (1) Amend section 43E (interposed lease: exceptions, etc.) as follows.
- (2) In subsection (4)—
- (a) after “brought into account” insert “—

(a)”,
and
 - (b) at the end insert “or

(b) in computing under Chapter 2 of Part 2 of ITTOIA 2005 the profits of a trade carried on wholly or partly in the United Kingdom.”
- (3) In subsection (5) after “Section 34” insert “and sections 277 to 281 of ITTOIA 2005”.
- 30 (1) Amend section 43G (interpretation) as follows.
- (2) In subsection (2) in the definition of “rent” after “Schedule A” insert “or, as the profits of a UK property business, under Chapter 3 of Part 3 of ITTOIA 2005”.
- (3) In subsection (2) in the definition of “premium”—
- (a) after ““premium”” insert “—

(a) for the purposes of corporation tax”, and
 - (b) after “section 34, and” insert—

“(b) for the purposes of income tax has the meaning given by section 307(1) of ITTOIA 2005 (and, in relation to Scotland, section 307(3) of that Act), and includes—
 - (i) a sum payable by the tenant under the terms subject to which a lease is granted instead of the whole or a part of the rent for a period,
 - (ii) a sum payable by the tenant under those terms as consideration for the surrender (in Scotland, the renunciation) of the lease, and
 - (iii) a sum payable by the tenant (otherwise than by way of rent) as consideration for the variation or waiver of a term of a lease, and”.
- 31 (1) Amend section 46 (savings certificates and tax reserve certificates) as follows.
- (2) In subsection (1) after “liable to” insert “corporation”.
- (3) In subsection (2) for “Tax” substitute “Corporation tax”.
- (4) In subsection (4)(b) for “him and he” substitute “the holder and the holder”.
- (5) After subsection (6) insert—

“(7) In this section “Ulster Savings Certificates” means savings certificates issued or treated as issued under section 15 of the Exchequer and Financial Provisions Act (Northern Ireland) 1950.”
- 32 (1) Amend section 53 (farming and other commercial occupation of land (except woodlands)) as follows.

- (2) In subsection (1) after “charged to” insert “corporation”.
- (3) In subsection (2)—
 - (a) for “person or partnership or body of persons” substitute “company or partnership”, and
 - (b) after “trade” insert “for corporation tax purposes”.
- (4) In subsection (3) after “charged to” insert “corporation”.
- 33 In section 55(1) (mines, quarries and other concerns) after “charged to” insert “corporation”.
- 34 (1) Amend section 56 (transactions in deposits with and without certificates or in debts) as follows.
 - (2) In subsection (2)—
 - (a) for “person”, in the first place where it occurs, substitute “company”, and
 - (b) for “tax” substitute “corporation tax”.
 - (3) In subsection (3)
 - (a) for “does” substitute “and section 551 of ITTOIA 2005 (charge to income tax on profits from disposal of deposit rights) do”, and
 - (b) in paragraph (a) for “person” substitute “company”.
- 35 (1) Amend section 59 (persons chargeable: Schedule D) as follows.
 - (2) Omit subsections (1) and (2).
 - (3) In subsection (3)—
 - (a) for “that section” substitute “section 12 of ITTOIA 2005”, and
 - (b) omit “under Schedule D”.
 - (4) In subsection (4) for “Subsections (1) to (3)” substitute “Subsection (3)”.
- 36 Omit sections 60 to 63A (basis of assessment for income tax: Cases I and II of Schedule D).
- 37 Omit section 64 (Case III assessments).
- 38 Omit section 65 (Cases IV and V assessments: general).
- 39 Omit section 65A (Case V income from land outside UK: income tax).
- 40 Omit section 68 (special rules where property etc. situated in Republic of Ireland).
- 41 Omit sections 68A to 68C (share incentive plans).
- 42 Omit section 69 (Case VI assessments).
- 43 Omit section 71 (computation of income tax where no profits in year of assessment).
- 44 In section 72(1) (apportionments etc for purposes of Cases I, II and VI)—
 - (a) after “chargeable” insert “to corporation tax”, and
 - (b) omit “income tax or” and “year of assessment,”.
- 45 In section 74(1) (general rules as to deductions not allowable)—
 - (a) for “the Tax Acts” substitute “the Corporation Tax Acts”,
 - (b) after “computing the amount of the profits to be charged” insert “to corporation tax”,

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- (c) for “, profession or vocation”, in each place where it occurs, substitute “or profession”,
 - (d) omit paragraph (b),
 - (e) in paragraph (j) for “his” substitute “the creditor's”, and
 - (f) omit paragraph (o).
- 46 In section 76A(1) (levies and repayments under FISMA 2000) after “to be charged” insert “to corporation tax”.
- 47 Omit section 77 (incidental costs of obtaining loan finance).
- 48 (1) Amend section 79 (contributions to local enterprise agencies) as follows.
- (2) In subsection (1)—
 - (a) for “person” substitute “company”,
 - (b) for “trade, profession or vocation”, in both places where it occurs, substitute “trade or profession”,
 - (c) for “him” substitute “the company”, and
 - (d) before “tax” insert “corporation”.
 - (3) In subsection (3) for “any person if either he or any person connected with him” substitute “any company if either the company or any person connected with the company”.
 - (4) In subsection (9)—
 - (a) after “has been made” insert “by a company”,
 - (b) for “chargeable period”, in both places where it occurs, substitute “accounting period”,
 - (c) for “the contributor or any person connected with him” substitute “the company or any person connected with the company”,
 - (d) for “the contributor shall” substitute “the company shall”,
 - (e) before “tax”, in both places where it occurs, insert “corporation”, and
 - (f) for “he” substitute “the company”.
- 49 (1) Amend section 79A (contributions to training and enterprise councils and local enterprise companies) as follows.
- (2) In subsection (1)—
 - (a) for “person” substitute “company”,
 - (b) for “trade, profession or vocation”, in both places where it occurs, substitute “trade or profession”,
 - (c) for “him” substitute “the company”, and
 - (d) before “tax” insert “corporation”.
 - (3) In subsection (3) for “any person if either he or any person connected with him” substitute “any company if either the company or any person connected with the company”.
 - (4) In subsection (4)—
 - (a) after “in respect of a contribution” insert “made by a company”,
 - (b) for “chargeable period”, in both places where it occurs, substitute “accounting period”,

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- (c) for “the contributor or any person connected with him” substitute “the company or any person connected with the company”,
 - (d) for “the contributor shall” substitute “the company shall”,
 - (e) before “tax”, in both places where it occurs, insert “corporation”, and
 - (f) for “he” substitute “the company”.
- 50 (1) Amend section 79B (contributions to urban regeneration companies) as follows.
- (2) In subsection (1)—
 - (a) for “person” substitute “company”,
 - (b) for “trade, profession or vocation”, in both places where it occurs, substitute “trade or profession”,
 - (c) for “him” substitute “the company”, and
 - (d) before “if it would” insert “for the purposes of corporation tax”.
 - (3) In subsection (3) for “any person if either he or any person connected with him” substitute “any company if either the company or any person connected with the company”.
 - (4) In subsection (4)—
 - (a) after “in respect of a contribution” insert “made by a company”,
 - (b) for “chargeable period”, in both places where it occurs, substitute “accounting period”,
 - (c) for “the contributor or any person connected with him” substitute “the company or any person connected with the company”,
 - (d) for “the contributor shall” substitute “the company shall”,
 - (e) before “tax”, in both places where it occurs, insert “corporation”, and
 - (f) for “he” substitute “the company”.
- 51 Omit section 80 (expenses connected with foreign trades etc).
- 52 Omit section 81 (travel between trades etc).
- 53 Omit section 82 (interest paid to non-residents).
- 54 In section 82A(1) (expenditure on research and development)—
 - (a) for “person” substitute “company”,
 - (b) for “by him or on his behalf” substitute “by the company or on the company’s behalf”, and
 - (c) before “tax” insert “corporation”.
- 55 In section 82B(1) (payments to research associations, universities etc.)—
 - (a) for “person” substitute “company”,
 - (b) for “he” substitute “the company”, and
 - (c) before “tax” insert “corporation”.
- 56 In section 83 (patent fees etc. and expenses) after “the profits of a trade” insert “for the purposes of corporation tax”.
- 57 (1) Amend section 83A (gifts in kind to charities etc.) as follows.
- (2) In subsection (1) for “a person carrying on a trade, profession or vocation” substitute “a company carrying on a trade or profession”.

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- (3) In subsection (2) for “the donor in the course of his trade” substitute “the company in the course of its trade”.
- (4) In subsection (3)—
- (a) for “the donor's” substitute “the company's”,
 - (b) for “the purposes of the Tax Acts” substitute “corporation tax purposes”, and
 - (c) for “the donor” substitute “the company”.
- (5) In subsection (4)—
- (a) after “in respect of the gift of an article” insert “made by a company”,
 - (b) for “chargeable period”, in both places where it occurs, substitute “accounting period”,
 - (c) for “the donor or any person connected with him” substitute “the company or any person connected with the company”,
 - (d) for “the donor shall” substitute “the company shall”,
 - (e) before “tax”, in both places where it occurs, insert “corporation”, and
 - (f) for “he” substitute “the company”.
- 58 (1) Amend section 84 (gifts to educational establishments) as follows.
- (2) In subsection (1)—
- (a) for “a person carrying on a trade, profession or vocation” substitute “a company carrying on a trade or profession”, and
 - (b) for “his trade” substitute “its trade”.
- (3) In subsection (3)—
- (a) for “the purposes of the Tax Acts” substitute “corporation tax purposes”, and
 - (b) for “his disposal” substitute “its disposal”.
- (4) In subsection (3A) for “above is—” to the end substitute “the period of two years beginning at the end of the accounting period in which the gift is made.”
- (5) Omit subsection (3B).
- (6) In subsection (4)—
- (a) after “in respect of the gift of an article” insert “made by the donor”,
 - (b) for “chargeable period”, in both places where it occurs, substitute “accounting period”,
 - (c) for “him” substitute “the donor”,
 - (d) before “tax”, in both places where it occurs, insert “corporation”, and
 - (e) for “he” substitute “the donor”.
- 59 In section 84A(2)(a) (costs of establishing share option or profit sharing schemes: relief) after “Schedule D” insert “or Part 2 of ITTOIA 2005”.
- 60 (1) Amend section 86 (employees seconded to charities and educational establishments) as follows.
- (2) In subsection (1)—
- (a) for “If a person (“the employer”) carrying on a trade, profession, vocation or business for the purposes of which he” substitute “If a company (“the employer”) carrying on a trade, profession or business for the purposes of which it”, and

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- (b) for “, profession or vocation” substitute “or profession”.
- (3) In subsection (2), in the definition of “deductible”, after “charged” insert “to corporation tax”.
- 61 In section 86A (charitable donations: contributions to agent’s expenses) —
- (a) in subsection (1) for “a person” substitute “a company”, and
- (b) in subsection (2)(a) for “, profession or vocation” substitute “or profession”.
- 62 (1) Amend section 87 (taxable premiums etc.) as follows.
- (2) In subsection (1)—
- (a) for “trade, profession or vocation” substitute “trade or profession”,
- (b) omit “or” at the end of paragraph (a),
- (c) after paragraph (b) insert—
- “(c) any amount falls to be treated as a receipt of a UK property business by virtue of any of sections 277 to 282 of ITTOIA 2005 (receipts in respect of lease premiums, sums payable instead of rent, for surrender of lease and for variation or waiver of term of lease and assignments), or
- (d) any amount would fall to be so treated but for the operation of the rule in section 288 of that Act (the additional calculation rule),” and
- (d) after “below” insert “and in section 87A”.
- (3) In subsection (2)—
- (a) for “the person” substitute “a company which is”,
- (b) for “trade, profession or vocation”, in both places where it occurs, substitute “trade or profession”,
- (c) for “him” substitute “the company”,
- (d) for “he” substitute “the company”, and
- (e) for “tax” substitute “corporation tax”.
- (4) In subsection (4)—
- (a) for “person” substitute “company”,
- (b) for “his” substitute “the company's”,
- (c) for “trade, profession or vocation” substitute “trade or profession”, and
- (d) for “him”, in both places where it occurs, substitute “the company”.
- (5) In subsection (6)—
- (a) for “chargeable period”, wherever it occurs, substitute “accounting period”,
- (b) for “person” substitute “company”, and
- (c) for “him” substitute “the company”.
- (6) In subsection (7)—
- (a) for “his” substitute “the company's”,
- (b) for “person” substitute “company”,
- (c) for “chargeable period”, wherever it occurs, substitute “accounting period”, and
- (d) for “him”, in both places where it occurs, substitute “the company”.

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- (7) In subsection (8) after “section 34(2)” insert “or under section 277 of ITTOIA 2005 by virtue of section 278 of that Act (amount treated as lease premium where work required)”.
- (8) In subsection (9) after paragraph (b) insert—
- “(c) where the amount chargeable arose under Chapter 4 of Part 3 of ITTOIA 2005 (profits of property businesses: lease premiums etc.), its receipt period (within the meaning of that Chapter (see section 288(6)).”
- (9) After subsection (9) insert—
- “(9A) In the application of this section and section 87A to Scotland—
- (a) the reference to a lease being granted out of the interest referred to in subsection (4) above is to the grant of a sublease of land subject to that interest, and
- (b) references to the lease so granted are to be construed as references to the sublease.”
- 63 After section 87 insert—
- “87A Section 87(2) and (3) and reductions in receipts under ITTOIA 2005**
- (1) This section applies if—
- (a) a lease has been granted out of the interest referred to in section 87(4),
- (b) in calculating the amount that falls to be treated as a receipt of a UK property business under Chapter 4 of Part 3 of ITTOIA 2005 in respect of the lease, there is a reduction under section 288 of that Act by reference to a taxed receipt, and
- (c) the taxed receipt is the amount chargeable for the purposes of section 87.
- (2) Section 37A (section 37(4) and reductions in receipts under ITTOIA 2005) shall apply for modifying the operation of section 87(2) and (3) as it applies for modifying the operation of section 37(4).
- (3) In this section the following expressions have the same meaning as in Chapter 4 of Part 3 of ITTOIA 2005—
- “reduction under section 288 by reference to a taxed receipt” (see section 290(6) of that Act), and
- “taxed receipt” (see section 287(4) of that Act).”
- 64 In section 88 (payments to Export Credits Guarantee Department)—
- (a) for “a person” substitute “a company”,
- (b) for “trade, profession or vocation carried on by that person” substitute “trade or profession carried on by that company”, and
- (c) for “if that person” substitute “if that company”.
- 65 For section 89 (debts proving irrecoverable after event treated as discontinuance) substitute—

“89 Debts proving to be irrecoverable after discontinuance etc

- (1) This section applies if—
 - (a) section 337(1) applies to treat a trade as discontinued by reason of any event, or
 - (b) a person permanently ceases to carry on a trade or profession, and a company carries on the trade or profession after that event or cessation.
- (2) In computing for corporation tax purposes the profits of the trade or profession in any period after the event or cessation, there may be deducted a sum equal to any amount proved during that period to be irrecoverable in respect of any debts—
 - (a) which were credited in computing for tax purposes the profits for any period before the event or cessation, and
 - (b) in respect of which the benefit was assigned to the company carrying on the trade or profession after the event or cessation.
- (3) Subsection (2) applies only so far as the total amount proved to be irrecoverable in respect of the debts exceeds any deduction allowed in respect of them under—
 - (a) section 74(1)(j), or
 - (b) section 35 of ITTOIA 2005,in a computation for any period before the event or cessation.”

- 66 (1) Amend section 90 (additional payments to redundant employees) as follows.
- (2) In subsection (1)—
 - (a) for “, profession or vocation” substitute “or profession”, and
 - (b) for “profession, vocation or business”, in both places, substitute “profession or business”.
 - (3) In subsection (3)—
 - (a) for “profession, vocation or business” substitute “profession or business”, and
 - (b) omit “113(1) or”.
- 67 (1) Amend section 91 (cemeteries) as follows.
- (2) In subsection (1)—
 - (a) after “computing” insert “for corporation tax purposes”, and
 - (b) for “the person” substitute “the company”.
 - (3) In subsection (2) for “the person” substitute “the company”.
 - (4) In subsection (4)(a)(i)—
 - (a) after “above” insert “, or under section 170(2)(b) of ITTOIA 2005 (relief for income tax purposes)”, and
 - (b) after “computing” insert “for tax purposes”.
 - (5) In subsection (4)(a)(ii)—
 - (a) for “the person” substitute “the company”, and
 - (b) for “him” substitute “it”.

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- (6) In subsection (5)—
- (a) for “the persons carrying on the trade after the change” substitute “the company carrying on the trade after the change”,
 - (b) for “they” substitute “the company”,
 - (c) for “their” substitute “its”, and
 - (d) for “them” substitute “it”.
- (7) For subsection (6) substitute—
- “(6) No expenditure shall be taken into account—
- (a) under both paragraphs (a) and (b) of subsection (1) above, or
 - (b) under both subsection (1)(a) above and section 170(2)(b) of ITTOIA 2005 or under both subsection (1)(b) above and section 170(2)(a) of ITTOIA 2005,
- whether for the same or different periods.”
- 68 In section 91A (waste disposal: restoration payments)—
- (a) in subsection (1) for “person” substitute “company”, and
 - (b) in subsection (2) omit “income tax or”.
- 69 In section 91B (waste: disposal: preparation expenditure)—
- (a) in subsection (1) for “person”, in both places where it occurs, substitute “company”,
 - (b) in subsection (2) omit “income tax or”,
 - (c) in subsection (4) for “person” substitute “company”,
 - (d) in subsection (5)(a) after “computing” insert “for the purposes of corporation tax or income tax”,
 - (e) in subsection (5)(b) after “made” insert “for the purposes of corporation tax or income tax”,
 - (f) in subsection (6) after “this section” insert “or section 165 of ITTOIA 2005 (relief for income tax purposes)” and after “computing” insert “for the purposes of corporation tax or income tax”, and
 - (g) in subsection (10A) for “person”, in both places where it occurs, substitute “company” and for “he” substitute “it”.
- 70 In section 91BA (waste disposal: entitlement of successor to allowances)—
- (a) in subsection (1) after “another person” insert “that is a company”, and
 - (b) in subsection (4) for “he” substitute “it”.
- 71 In section 91C (mineral exploration and access) for “person” substitute “company” and for “tax” substitute “corporation tax”.
- 72 In section 93(1) (other grants under Industrial Development Act 1982 etc.)—
- (a) for “person” substitute “company”, and
 - (b) after “chargeable” insert “to corporation tax”.
- 73 In section 94(1) (debts deducted and subsequently released)—
- (a) for “tax purposes” substitute “corporation tax purposes”, and
 - (b) for “trade, profession or vocation”, wherever it occurs, substitute “trade or profession”.
- 74 (1) Amend section 95 (taxation of dealers in respect of distributions etc.) as follows.

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- (2) In subsection (1) for “tax” substitute “corporation tax”.
- (3) In subsection (1A) omit paragraph (a).
- (4) In subsection (2) for “tax” substitute “corporation tax”.
- 75 Omit section 95A (creative artists: relief for fluctuating profits).
- 76 Omit section 96 (farming and market gardening: relief for fluctuating profits).
- 77 In section 98(1) (tied premises: receipts and expenses treated as those of a trade)—
 - (a) after “This section applies” insert “for corporation tax purposes”,
 - (b) for “a person (“the trader”)” substitute “a company (“the trader”)”, and
 - (c) for “another person” substitute “a person other than the trader”.
- 78 (1) Amend section 99 (dealers in land) as follows.
 - (2) In subsection (1) for “tax purposes” substitute “corporation tax purposes”.
 - (3) In subsection (2) for “tax” substitute “corporation tax”.
 - (4) In subsection (3)—
 - (a) for “tax”, in each place where it occurs, substitute “corporation tax”,
 - (b) for “chargeable periods” substitute “accounting periods”, and
 - (c) for “chargeable period” substitute “accounting period”.
- 79 (1) Amend section 100 (valuation of trading stock at discontinuance of trade) as follows.
 - (2) In subsection (1) for “any tax purpose”, in the first place where it occurs, substitute “any corporation tax purpose”.
 - (3) In subsection (1A)—
 - (a) for “the person who” substitute “the company which”, and
 - (b) for “those persons” substitute “that person and that company”.
 - (4) In subsection (1C)(c) for “chargeable period” substitute “accounting period”.
 - (5) In subsection (1D) after “in computing for any” insert “corporation”.
 - (6) In subsection (1E)—
 - (a) for the words from the beginning to “subsections (1A) to (1C) above to be” substitute “Where the value of the trading stock is determined in accordance with subsections (1A) to (1C) above, or sections 176 to 178 of ITTOIA 2005 or section 127 of that Act (by virtue of section 175(3)) (corresponding provisions for income tax purposes),” and
 - (b) after “for the purpose of making” insert “for corporation tax purposes”.
 - (7) In subsection (2)(b) omit “or vocation” in both places where it occurs.
- 80 (1) Amend section 101 (valuation of work in progress at discontinuance of profession or vocation) as follows.
 - (2) In subsection (1)—
 - (a) for “any tax purpose”, in the first place where it occurs, substitute “any corporation tax purpose”, and
 - (b) omit “or vocation”, wherever it occurs.

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- (3) In subsection (2) omit “or vocation” and for “person by whom” substitute “company by which”.
- (4) In subsection (2A)—
- (a) omit paragraph (a), and
 - (b) in paragraph (b), omit “in the case of an election for the purposes of corporation tax,” and “or vocation”.
- (5) In subsection (3) omit “or vocation”, wherever it occurs.
- 81 (1) Amend section 102 (provisions supplementary to sections 100 and 101) as follows.
- (2) In subsection (1)—
- (a) omit “or vocations”, and
 - (b) for “trade, profession or vocation” substitute “trade or profession”.
- (3) In subsection (2)—
- (a) omit “113 or”,
 - (b) for “trade, profession or vocation” substitute “trade or profession”,
 - (c) after “computing” insert “corporation”, and
 - (d) omit the words from “but those sections” to the end.
- 82 (1) Amend section 103 (receipts after discontinuance: earnings basis charge and related charge affecting conventional basis) as follows.
- (2) In subsection (1)—
- (a) after “vocation” insert “carried on wholly or partly in the United Kingdom”,
 - (b) omit “under Case I or II of Schedule D”, and
 - (c) for “tax shall be charged under Case VI of that Schedule” substitute “corporation tax shall be charged under Case VI of Schedule D”.
- (3) In subsection (3)—
- (a) in paragraph (a)—
 - (i) for “person”, in the first place where it occurs, substitute “company”,
 - (ii) for “who” substitute “which”, and
 - (iii) for “his” substitute “its”,
 - (b) omit paragraphs (b) and (bb), and
 - (c) omit the words from “Paragraph (b) above shall” to the end.
- (4) In subsection (5) at the end insert “above or under section 35 of ITTOIA 2005”.
- 83 (1) Amend section 104 (conventional basis: general charge on receipts after discontinuance or change of basis) as follows.
- (2) In subsection (1)—
- (a) after “vocation” insert “carried on wholly or partly in the United Kingdom”,
 - (b) omit “under Case I or II of Schedule D”, and
 - (c) for “tax shall be charged under Case VI of that Schedule” substitute “corporation tax shall be charged under Case VI of Schedule D”.
- (3) In subsection (3)—
- (a) for “tax”, in the second place where it occurs, substitute “corporation tax”, and

- (b) omit “and (b)”.
- 84 (1) Amend section 105 (allowable deductions) as follows.
- (2) In subsection (1)—
- (a) for “tax”, in the first three places where it occurs, substitute “corporation tax”,
- (b) for “person”, in the first place where it occurs, substitute “company”, and
- (c) for “him” substitute “it”.
- (3) In subsection (3) for “chargeable period”, in each place where it occurs, substitute “accounting period”.
- 85 (1) Amend section 106 (application of charges where rights to payments transferred) as follows.
- (2) In subsection (1) for “tax” substitute “corporation tax”.
- (3) In subsection (2)—
- (a) for “the persons carrying on the trade,” substitute “the company carrying on the trade,”
- (b) for “tax” substitute “corporation tax”,
- (c) for “those persons” substitute “that company”, and
- (d) for “all purposes” substitute “corporation tax purposes”.
- 86 Omit section 107 (treatment of receipts as earned income).
- 87 Omit section 108 (election for carry-back).
- 88 Omit section 109 (charge under section 104: relief for individuals born before 6th April 1917).
- 89 (1) Amend section 109A (relief for post-cessation expenditure) as follows.
- (2) Omit subsection (3).
- (3) In subsection (4) omit the unnumbered paragraph beginning with “If any sum”.
- (4) In subsection (4A) omit the unnumbered paragraph beginning with “If any sum”.
- (5) In subsection (6) for “section 105” substitute “section 254 of ITTOIA 2005 (allowable deductions against post-cessation receipts charged to income tax)”.
- (6) After subsection (6) insert—
- “(6A) This section applies in relation to a UK property business as it applies in relation to a trade, profession or vocation.”
- 90 In section 110 (interpretation etc) for subsection (2) substitute—
- “(1A) In the case of a trade carried on by a person other than a company or a profession or vocation within the charge to income tax carried on by any person, any reference to the permanent discontinuance of a trade, profession or vocation includes a reference to—
- (a) a person permanently ceasing to carry on a trade, profession or vocation, or
- (b) in relation to a trade or profession carried on by a person in partnership with other persons, the occurrence of an event treated

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under section 246(4) of ITTOIA 2005 (basic meaning of “post-cessation receipt”) as a person permanently ceasing to carry on a trade or profession.

(1B) In the case of a trade carried on by a company, any reference to the permanent discontinuance of a trade includes a reference to the occurrence of an event treated under section 337(1) below as a discontinuance or treated under section 18 of ITTOIA 2005 (companies beginning or ceasing to carry on trade) as the company permanently ceasing to carry on the trade.

(1C) In the case of a UK property business carried on by a person other than a company, any reference to the permanent discontinuance of a UK property business includes a reference to—

- (a) a person permanently ceasing to carry on a UK property business, or
- (b) in relation to a UK property business carried on by a person in partnership with other persons, the occurrence of an event treated under section 353(3) of ITTOIA 2005 (basic meaning of “post-cessation receipt”) as a person permanently ceasing to carry on a UK property business.

(1D) In the case of a UK property business carried on by a company, any reference to the permanent discontinuance of a UK property business includes a reference to the occurrence of an event treated under section 362 of ITTOIA 2005 (companies beginning or ceasing to be within the charge to income tax) as the company permanently ceasing to carry on the business.”

91 Omit section 110A (change of residence) and the italic cross-heading before it.

92 (1) Amend section 111 (treatment of partnerships) as follows.

(2) In subsection (1) for “the purposes of the Tax Acts” substitute “corporation tax purposes”.

(3) Omit subsections (2) to (13).

93 Omit section 112 (partnerships controlled abroad).

94 Omit section 113 (effect for income tax of change in ownership of trade, profession or vocation).

95 (1) Amend section 115 (provisions supplementary to section 114) as follows.

(2) For subsection (5) substitute—

“(5) Subsections (5A) and (5B) apply if—

- (a) a company resident in the United Kingdom (“the resident partner”) is a member of a partnership which resides outside the United Kingdom or which carries on any trade, profession or business the control and management of which is situated outside the United Kingdom, and
- (b) by virtue of any arrangements falling within section 788 (“the arrangements”) any of the income or capital gains of the partnership is relieved from corporation tax in the United Kingdom.

(5A) The arrangements do not affect any liability to corporation tax in respect of the resident partner’s share of any income or capital gains of the partnership (and section 114 has effect accordingly).

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- (5B) If the resident partner’s share of the income of the partnership consists of or includes a share in a qualifying distribution made by a company resident in the United Kingdom, the resident partner (and not the partnership) is, despite the arrangements, entitled to the share of the tax credit in respect of the distribution which corresponds to the partner’s share of the distribution (and section 114 has effect accordingly).”
- 96 In section 116(4) (arrangements for transferring relief) before “tax” insert “corporation”.
- 97 In section 118ZA (treatment of limited liability partnerships)—
- (a) in subsection (1) for “the purposes of the Tax Acts” substitute “corporation tax purposes”, and
 - (b) in subsection (2) for “the Tax Acts” substitute “the Corporation Tax Acts”.
- 98 (1) Amend section 118ZE (restriction on relief for non-active partners) as follows.
- (2) In subsection (5) for the words from “sections 60 to 63” to the end substitute “Chapter 15 of Part 2 of ITTOIA 2005 as applied by section 853 of that Act”.
- (3) In subsection (6)—
- (a) for “section 61(1)” substitute “section 199(1) of ITTOIA 2005”, and
 - (b) after “to 118ZK” insert “below”.
- 99 In section 118ZH(3) (“a significant amount of time”: recovery of relief) for “under Case VI of Schedule D” substitute “to income tax”.
- 100 In section 118ZK(2)(b) and (5) (transitional provision for years after the first restricted year) after “1992” insert “or any of sections 138 to 140 of ITTOIA 2005”.
- 101 In section 118ZL(6) (partnerships exploiting films)—
- (a) in paragraph (b)—
 - (i) for “section 111(2)” substitute “section 849 of ITTOIA 2005 (calculation of firm’s profits or losses)”, and
 - (ii) for “section 41 or 42 of the Finance (No. 2) Act 1992” substitute “any of sections 137 to 140 of ITTOIA 2005”, and
 - (b) in paragraph (c)—
 - (i) for “section 41 or 42 of that Act” substitute “sections 137 to 140 of that Act”, and
 - (ii) for “either of” substitute “any of”.
- 102 In section 118ZM(4) (partnerships exploiting films: supplementary) for “the acquisition of the master negative” to the end substitute “the acquisition of the original master version of the film; and this subsection is to be construed as if contained in Chapter 9 of Part 2 of ITTOIA 2005.”
- 103 In section 119(1) (rent etc. payable in connection with mines, quarries and similar concerns) after “charged to” insert “corporation”.
- 104 In section 120 (rent etc. payable in respect of electric line wayleaves)—
- (a) in subsection (1) after “charged to” insert “corporation”,
 - (b) in subsection (1A) for “chargeable period” substitute “accounting period”, and
 - (c) in subsection (1A) after “charged to”, in both places where it occurs, insert “corporation”.

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- 105 In section 121 (management expenses of owner or mineral rights) omit subsection (1).
- 106 (1) Amend section 122 (relief in respect of mineral royalties) as follows.
- (2) In subsection (1)—
- (a) for the words from “a person resident” to “year of assessment or” substitute “a company resident in the United Kingdom which in any”,
 - (b) omit “for the purposes of income tax, or as the case may be”,
 - (c) for “him” substitute “it”, and
 - (d) omit “year or” in both places where it occurs.
- (3) In subsection (2)—
- (a) omit the words from “brought into account” to “may be,”, and
 - (b) for “subsection (2)” substitute “subsection (3)”.
- (4) Omit subsection (4).
- 107 (1) Amend section 125 (annual payments for non-taxable consideration) as follows.
- (2) In subsection (2) for paragraph (a) and the word “and” at the end of the paragraph substitute—
- “(a) is not interest but is—
 - (i) an annuity or other annual payment charged with income tax under Part 5 of ITTOIA 2005 otherwise than as relevant foreign income; or
 - (ii) an annuity or other annual payment charged with corporation tax under Case III of Schedule D; and”.
- (3) In subsection (3)(a) for “section 660A(8) or (9)(a)” substitute “section 627(1) or (2) (a) of ITTOIA 2005”.
- 108 Omit section 127 (enterprise allowance).
- 109 Omit section 127A (futures and options: transactions with guaranteed returns).
- 110 In section 128 (commodity and financial futures etc: losses and gains) omit subsection (1).
- 111 (1) Amend section 214 (chargeable payments connected with exempt distributions) as follows.
- (2) In subsection (1)—
- (a) in paragraph (a) omit “chargeable to tax under Case VI of Schedule D”, and
 - (b) after that paragraph insert—
 - “(ab) that income shall be chargeable to tax;”.
- (3) After subsection (1) insert—
- “(1A) Income tax chargeable by virtue of subsection (1) shall be charged on the full amount or value of the payment made in the year of assessment; and the person liable for any tax so charged is the person receiving or entitled to the payment.
 - (1B) Corporation tax chargeable by virtue of subsection (1) shall be charged under Case VI of Schedule D.”

- 112 In section 230 (stock dividends: distributions) for the words from “as mentioned” to “that section)” substitute “in a case where section 410(2), (3) or (4) of ITTOIA 2005 applies”.
- 113 (1) Amend section 231 (tax credits for certain recipients of qualifying distributions) as follows.
- (2) In subsection (1)—
- (a) for “sections” to “1993” substitute “sections 231AA and 231AB of this Act”,
- (b) for the words from “where” to “charged” substitute “for corporation tax purposes where”, and
- (c) omit “or a person resident in the United Kingdom, not being a company”.
- (3) Omit subsections (3) and (3AA).
- (4) In subsection (4) for “he” in both places where it occurs substitute “that person”.
- 114 (1) Amend section 231AA (no tax credit for borrower under stock lending arrangement or interim holder under repurchase agreement) as follows.
- (2) In subsection (1) after “section 231” insert “above or section 397(1) of ITTOIA 2005”.
- (3) In subsection (1A)—
- (a) for “a relevant person”, “section 233(1)” and “Schedule F” substitute “a person resident in the United Kingdom”, “section 399(2) of ITTOIA 2005” and “dividend” respectively, and
- (b) omit the second sentence.
- 115 (1) Amend section 231AB (no tax credit for original owner under repurchase agreement in respect of certain manufactured dividends) as follows.
- (2) In subsection (1) after “section 231” insert “above or section 397(1) of ITTOIA 2005”.
- (3) In subsection (1A)—
- (a) for “a relevant person”, “section 233(1)” and “Schedule F” substitute “a person resident in the United Kingdom”, “section 399(2) of ITTOIA 2005” and “dividend” respectively, and
- (b) omit the second sentence.
- 116 In section 231B(4)(b) (consequences of certain arrangements to pass on value of a tax credit) for “section 231(3)” substitute “section 397(2) of ITTOIA 2005”.
- 117 Omit section 232 (tax credits for non-UK residents).
- 118 Omit section 233 (taxation of certain recipients of distributions and in respect of non-qualifying distributions).
- 119 (1) Amend section 249 (stock dividends treated as income) as follows.
- (2) In subsection (1) for “subsections (7) to (9) below, this section applies” substitute “subsections (8) and (9) below, this section applies (and accordingly section 230 above and section 410 of ITTOIA 2005 apply)”.
- (3) Omit subsections (4) to (7).
- (4) In subsection (8)—

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- (a) for “subsection (4)” substitute “section 410(2), (3) or (4) of ITTOIA 2005”,
and
 - (b) omit the words from “and subsections (5)” onwards.
- (5) In subsection (9)(b) for “an individual” to “an amount of income” substitute “income to be treated as arising to an individual as a result of section 410(2) of ITTOIA 2005”.
- 120 (1) Amend section 250 (returns) as follows.
- (2) In subsection (5)(c) for “the appropriate amount in cash” substitute “the cash equivalent of the share capital in accordance with section 412 of ITTOIA 2005”.
 - (3) In subsection (7) at the end insert “of this Act or Chapter 5 of Part 4 of ITTOIA 2005”.
- 121 In section 251 (interpretation of sections 249 and 250), omit subsections (2) to (6).
- 122 Omit sections 251A to 251D (approved share incentive plans).
- 123 In section 271(1)(a) (deemed surrender in cases of certain loans) for “under section 547” substitute “by virtue of section 465 of ITTOIA 2005”.
- 124 In section 273 (payments securing annuities)—
- (a) renumber the existing text as subsection (1),
 - (b) in that subsection after “Subject to” insert “subsection (2) and”,
 - (c) in that subsection omit “, 617(3)”, and
 - (d) after that subsection insert—
- “(2) No deduction may be made under this section in respect of any contribution paid by any person under Part 1 of the Social Security Contributions and Benefits Act 1992 or Part 1 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992.”
- 125 In section 282A(4)(b) (jointly held property) for “section 111” substitute “Part 9 of ITTOIA 2005 (partnerships)”.
- 126 In section 291A(3)(f) (connected persons: directors)—
- (a) in sub-paragraph (i) after “trade or profession” insert “carried on wholly or partly in the United Kingdom”, and
 - (b) in sub-paragraph (ii) for the words from “in computing” to the end substitute “in calculating for tax purposes the profits of that trade or profession”.
- 127 In section 307(1) (withdrawal of enterprise investment scheme relief) for “to tax under Case VI of Schedule D” substitute “to income tax”.
- 128 Omit section 314 (divers and diving supervisors).
- 129 Omit section 322 (consular officers and employees).
- 130 Omit section 324 (designated international organisations).
- 131 Omit section 325 (interest on deposits with National Savings Bank).
- 132 Omit section 326 (interest etc. under contractual savings schemes).
- 133 Omit sections 326A to 326D (tax-exempt special savings accounts).
- 134 Omit section 327 (disabled person’s vehicle maintenance grant).
- 135 Omit section 327A (payments to adopters).

- 136 Omit sections 329 to 329AB (exemption of interest on damages for personal injury and personal injury damages in the form of periodical payments).
- 137 Omit section 331 (scholarship income).
- 138 Omit section 331A (student loans: certain interest to be disregarded).
- 139 Omit section 332(3) (expenditure and houses of ministers of religion).
- 140 In section 332A (venture capital trusts: reliefs) omit “and distributions by such trusts”.
- 141 For section 333 substitute—

“333 Investment plan regulations

Regulations under Chapter 3 of Part 6 of ITTOIA 2005 (income from individual investment plans) may include provision generally for the purpose of the administration of corporation tax in relation to plans.”

- 142 Omit section 333A (personal equity plans: tax representatives).
- 143 (1) Amend section 333B (involvement of insurance companies with plans and accounts) as follows.
- (2) In subsections (1), (2)(b) and (3) for “section 333 business” substitute “plan business”.
- (3) In subsection (4)—
- (a) after “this section” insert “or Chapter 3 of Part 6 of ITTOIA 2005 (except sections 697 and 698)”, and
- (b) for “section 333A” substitute “section 697 or 698 of ITTOIA 2005 (requirements concerning foreign plan managers)”.
- (4) In subsection (5)(a) and (b) for “section 333 business” substitute “plan business”.
- (5) In subsection (8) for “section 333 business” substitute “plan business”.
- (6) In subsection (9)—
- (a) after the definition of “long-term insurance fund” insert—
- ““plan business”, in relation to an insurance company, means the business of the company that is attributable to the making of investments with that company under plans for which provision is made by regulations under Chapter 3 of Part 6 (except sections 697 and 698) of ITTOIA 2005 (income from individual investment plans)”, and
- (b) omit the definition of “section 333 business”.
- 144 In section 336(1A) (exception from certain charges for temporary residents in the United Kingdom) for paragraph (a) substitute—
- “(a) any charge under ITTOIA 2005 on relevant foreign income,”.
- 145 (1) Amend section 337 (company beginning or ceasing to carry on trade) as follows.
- (2) In subsection (1) after “shall be computed” insert “for the purposes of corporation tax”.

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- (3) In subsection (2) after “overseas property business” insert “(within the meaning given by section 70A(4))”.
- 146 (1) Amend section 347A (general rule: annual payments) as follows.
- (2) In subsection (1)(b)—
- (a) after “not” insert “, for the purposes of corporation tax,”,
 - (b) for “the person” substitute “any company”, and
 - (c) for “other person” substitute “other company”.
- (3) After subsection (2) insert—
- “(2A) This section applies to any annual payment made by an individual which—
- (a) arises in the United Kingdom, and
 - (b) is exempt from any charge under Part 5 of ITTOIA 2005 (miscellaneous income) as a result of section 727 of that Act.”
- (4) Omit subsections (4) and (5).
- (5) In subsection (6) after “(2)” insert “or (2A)”.
- 147 (1) Amend section 348 (payments out of profits or gains brought into charge to income tax: deduction of tax) as follows.
- (2) In subsection (1A), after paragraph (a), insert—
- “(aa) which—
- (i) is charged with tax under Chapter 7 of Part 4 of ITTOIA 2005 (purchased life annuity payments), Chapter 10 of that Part (distributions from unauthorised unit trusts), section 579 of that Act (royalties etc. from intellectual property), Chapter 4 of Part 5 of that Act (certain telecommunication rights: non-trading income) or Chapter 7 of Part 5 of that Act (annual payments not otherwise charged), and
 - (ii) is not relevant foreign income.”.
- (3) After subsection (3) insert—
- “(4) For the purposes of this section and section 349(1), the following income shall be treated as not brought into charge to income tax—
- (a) income on which income tax is treated as paid under section 399(2) or 400(2) of ITTOIA 2005 (distributions from UK resident companies etc. on which there is no tax credit),
 - (b) income on which an individual is liable to income tax as a result of section 413(2) of that Act or trustees are so liable as a result of section 413(3) of that Act (stock dividend income),
 - (c) income on which any person is liable to income tax under Chapter 6 of Part 4 of that Act (release of loan to participator in close company),
 - (d) income on which an individual is liable to income tax as a result of section 465 of that Act or trustees are so liable as a result of section 467 of that Act (gains from contracts for life insurance etc.), being income to which section 530 of that Act applies (income tax treated as paid etc.), and

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- (e) income which is included in the aggregate income of an estate as a result of section 664(2)(c), (d) or (e) of that Act (income arising to personal representatives and corresponding to income within paragraph (b), (c) or (d)).”
- 148 (1) Amend section 349 (payments not out of profits or gains brought into charge to income tax, and annual interest) as follows.
- (2) In subsection (1A), after paragraph (a), insert—
- “(aa) which—
- (i) is charged with tax under Chapter 7 of Part 4 of ITTOIA 2005 (purchased life annuity payments), Chapter 10 of that Part (distributions from unauthorised unit trusts), section 579 of that Act (royalties etc. from intellectual property), Chapter 4 of Part 5 of that Act (certain telecommunication rights: non-trading income) or Chapter 7 of Part 5 of that Act (annual payments not otherwise charged), and
- (ii) is not relevant foreign income.”.
- (3) In subsection (2) for “chargeable to” substitute “which falls within Chapter 2 of Part 4 of ITTOIA 2005 (interest) (excluding anything specially exempted from income tax and discounts treated as interest by section 381 of that Act) or which is chargeable to corporation”.
- (4) In subsection (3) before paragraph (a) insert—
- “(za) to interest chargeable to income tax as relevant foreign income; or”.
- (5) In subsection (4)—
- (a) insert the following definitions in the appropriate places—
- ““certificate of deposit” means a document falling within the definition of that expression in section 56(5) above or section 552(2) of ITTOIA 2005;”,
- ““uncertificated eligible debt security units” has the same meaning as in section 552(2) of ITTOIA 2005;”,
- (b) in the definition of “qualifying certificate of deposit”—
- (i) omit “, as defined in section 56(5),” and
- (ii) after “under which” insert “, or uncertificated eligible debt security units under which”, and
- (c) in the definition of “qualifying deposit right”—
- (i) at the end of paragraph (a) insert “above or is an uncertificated right, as defined in section 552(2) of ITTOIA 2005”, and
- (ii) in paragraph (b) omit “, as defined in section 56(5),” and after “issued” insert “, and no uncertificated eligible debt security units have been issued,”.
- (6) For subsection (7) substitute—
- “(7) This section is subject to section 101 of the Finance Act 2004 (payment of royalties without deduction at source).”
- 149 After section 349 insert—

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“349ZA Extension of section 349: proceeds of sale of UK patent rights

- (1) Subsection (2) applies if—
 - (a) a person who is a non-UK resident is chargeable to tax under section 587 of ITTOIA 2005 on profits from the sale of the whole or part of any patent rights, and
 - (b) the net proceeds of the sale consist wholly or partly of a capital sum.
 - (2) Subsection (1) of section 349 of this Act applies to any payment of the net proceeds of sale, or of an instalment of them, as if the net proceeds or instalment were, so far as consisting of the capital sum—
 - (a) an annual sum to which paragraph (a) of that subsection applies, and
 - (b) payable otherwise than out of profits or gains charged to income tax.
 - (3) For the purposes of this section the net proceeds of the sale is the amount of the proceeds net of any incidental expenses of the sale which are deducted before payment.
 - (4) Sections 597 to 599 of ITTOIA 2005 (licences connected with patents etc.) apply for the purposes of this section as they apply for the purposes of sections 587 to 596 of that Act.
 - (5) Section 4 of the Capital Allowances Act 2001 (meaning of “capital sums” etc.) applies in relation to this section as it applies in relation to Chapter 2 of Part 5 of ITTOIA 2005 (receipts from intellectual property).
 - (6) In this section “a non-UK resident” means a person who is not resident in the United Kingdom.”
- 150 In section 349A(3) (exceptions to section 349 for payments between companies etc.) for “524(3)(b)” substitute “349ZA(2)”.
- 151 (1) Amend section 349B (conditions mentioned in section 349A(1)) as follows.
- (2) In subsection (4)(b) for “section 333 (personal equity plans and individual savings accounts)” substitute “Chapter 3 of Part 6 of ITTOIA 2005 (income from individual investment plans)”.
 - (3) Omit subsection (5).
- 152 In section 353(1) (relief for payments of interest) after “sections 359 to 368” insert “of this Act and section 52 of ITTOIA 2005”.
- 153 In section 360A(2)(b) (meaning of “material interest” in section 360) for “Chapter 1A of Part XV (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.
- 154 (1) Amend section 368 (exclusion of double relief etc) as follows.
- (2) In subsection (3) for “for the purposes of Schedule A or Case I or II of Schedule D” substitute “of any trade, profession or vocation, or of any UK property business or overseas property business,”.
 - (3) Omit subsection (4).
 - (4) In subsection (5)—
 - (a) for “subsections (3) and (4)” substitute “subsection (3)”, and

- (b) for “those subsections” substitute “that subsection”.
- (5) For subsection (6) substitute—
- “*(6) Any reference in subsection (3) above to an amount taken into account is a reference to an amount taken into account in an assessment which has been finally determined.*”
- 155 In section 370(2)(b) (relevant loan interest) for the words from “either” to the end substitute “would be eligible for relief under section 353”.
- 156 (1) Amend section 379A (Schedule A losses) as follows.
- (2) In subsection (1) for “Schedule A business” substitute “UK property business”.
- (3) In subsection (2) for “Schedule A business”, in both places where it occurs, substitute “UK property business”.
- (4) In subsection (3) for “Schedule A business” substitute “UK property business”.
- (5) In subsection (4) for “Schedule A business” substitute “UK property business”.
- (6) In subsection (7)—
- (a) for “Schedule A business” substitute “UK property business”, and
- (b) for “applicable to” to the end substitute “applicable to UK property businesses”.
- (7) In the side-note for “Schedule A losses” substitute “Losses from UK property business”.
- (8) In the italic cross-heading before the section for “*Schedule A*” substitute “*UK property*”.
- 157 In section 379B (losses from overseas property business)—
- (a) after “overseas property business” insert “(within the meaning given by Chapter 2 of Part 3 of ITTOIA 2005)”, and
- (b) for “Schedule A business” substitute “UK property business”.
- 158 In section 382(3) (provisions supplementary to sections 380 and 381) omit “under the provisions of the Income Tax Acts applicable to Case I or II of Schedule D”.
- 159 (1) Amend section 384 (restrictions on right of set-off for trade etc. losses) as follows.
- (2) In subsection (4) for the words from “a trade” to “subsections (1) to (3) above” substitute “—
- (a) a trade is carried on for part only of a year of assessment by reason of its being set up and commenced, or discontinued, or both, in that year, or
- (b) a person carries on, or is treated as carrying on, a trade for part only of a year of assessment by reason of—
- (i) a succession to the trade during the year which involves all the persons carrying it on before the succession permanently ceasing to carry it on, or
- (ii) a change of residence within section 17 of ITTOIA 2005, subsections (1) to (3) above”.
- (3) In subsection (8) for “under Case VI of Schedule D” substitute “to income tax”.

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- 160 In section 384A(6) (restriction of set-off of allowances against general income) for “under Case VI of Schedule D” substitute “to income tax”.
- 161 In section 385(4) (carry-forward against subsequent profits) omit “under Case I of Schedule D” and, in both places where it occurs, “under that Case”.
- 162 In section 386(1) (carry-forward where business transferred to a company) omit “under Schedule D”.
- 163 In section 387(3)(d) (carry-forward as losses of amounts taxed under section 350) for “under section 349(1) by virtue of section 524” substitute “under section 349(1) of this Act by virtue of section 595 of ITTOIA 2005”.
- 164 (1) Amend section 388 (carry-back of terminal losses) as follows.
- (2) In subsection (1) omit “under Schedule D”.
- (3) In subsection (4) omit “under Schedule D” and, in both places where it occurs, “under Case I of Schedule D”.
- (4) In subsection (7) for “under the provisions of the Income Tax Acts applicable to Cases I and II of Schedule D” substitute “of a trade, profession or vocation under Part 2 of ITTOIA 2005”.
- 165 In section 389 (supplementary provisions relating to carry-back of terminal losses) for subsection (4) substitute—
- “(4) For the purposes of this section and section 388 references to the permanent discontinuance of a trade, profession or vocation include—
- (a) a person permanently ceasing to carry on a trade, profession or vocation, and
- (b) a partner permanently ceasing to carry on a notional trade in accordance with section 852(4) of ITTOIA 2005.”
- 166 In section 390(a) (treatment of interest as a loss for purposes of carry-forward and carry-back) for “the profits of which are chargeable to tax under Case I or II of Schedule D” substitute “carried on wholly or partly in the United Kingdom”.
- 167 For section 391 (losses from trade etc carried on abroad) substitute—

“391 Losses from trade etc. carried on abroad

In the case of a loss sustained in a trade, profession or vocation carried on wholly outside the United Kingdom, relief under any of sections 380 to 386, 388 and 389 is given only on—

- (a) the profits of a trade, profession or vocation carried on wholly outside the United Kingdom, or
- (b) income falling within section 23, 355, 575, 613, 615, 631 or 635 of ITEPA 2003,

but no relief is to be given on income which is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).”

- 168 For section 392 (Case VI losses) substitute—

“392 Losses from miscellaneous transactions

- (1) A person may make a loss relief claim if —
 - (a) in any year of assessment he sustains a loss in any transaction (whether he was engaged in it solely or in partnership), and
 - (b) the transaction is of such a nature that, if any profits or other income had arisen from it, he would have been liable to be assessed to income tax in respect of the income under or by virtue of any provision to which section 836B applies.
- (2) A loss relief claim is a claim requiring—
 - (a) that the amount of the loss sustained by him is, as far as may be, to be deducted from or set off against the total of the amount of any profits or other income or gains arising from any transaction in respect of which he is assessed for that year under or by virtue of any such provision, and
 - (b) that any portion of the loss for which relief is not so given is, as far as may be, to be carried forward and deducted from or set off against the total of the amount of any profits or other income or gains arising from any transaction in respect of which he is assessed for a subsequent year of assessment under or by virtue of any such provision.
- (3) If a partner in a partnership sustains a loss, the expression “the amount of any profits or other income or gains arising from any transaction in respect of which he is assessed” is to be read in accordance with subsection (4).
- (4) In respect of any year that expression means such portion of the amount on which the partnership is assessed under or by virtue of any provision to which section 836B applies in respect of any transaction as falls to be taken into account in computing the partner’s total income for that year.
- (5) Any relief under this section by way of the carrying forward of the loss is to be given as far as possible—
 - (a) from the first subsequent assessment in respect of any profits or other income or gains arising from any transaction in respect of which he is assessed under or by virtue of any provision to which section 836B applies for any year, and
 - (b) so far as it cannot be so given, from the next such assessment, and so on.
- (6) So far as a loss relief claim concerns the amount of the loss for any year of assessment it must be made on or before the fifth anniversary of the 31st January next following the year of assessment in question.
- (7) But the question whether and, if so, how much relief on that amount should be given under this section against tax for any year of assessment may be the subject of a separate claim made on or before the fifth anniversary of the 31st January next following that year of assessment.
- (8) Any portion of a loss sustained by any person in any transaction (whether he was engaged in it solely or in partnership)—

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- (a) which was of such a nature that, if any profits had arisen from it, he would have been liable to be assessed to income tax in respect of the profits under Case VI of Schedule D for any year of assessment before the year 2005-06, and
- (b) which did not fall within section 34, 35 or 36,
- is (so far as relief for that portion has not previously been given) to be treated as a loss to be carried forward and deducted in accordance with subsection (2)(b) above.”
- 169 (1) Amend section 397 (restriction of relief in case of farming and market gardening) as follows.
- (2) In subsection (5) (restriction of relief in case of farming and market gardening) for the definitions of “farming” and “market gardening” substitute—
- ““farming” and “market gardening” shall be construed—
- (a) for income tax purposes, in accordance with the definitions in section 876 of ITTOIA 2005, and
- (b) for corporation tax purposes, in accordance with the definitions in section 832 but as if those definitions were not restricted to activities in the United Kingdom.”
- (3) In subsection (7) after “the rules applicable to” insert “the calculation of the profits of a trade in Part 2 of ITTOIA 2005 or to”.
- (4) In subsection (8) for the words from “, a trade shall be treated” to the end substitute “—
- (a) a trade shall be treated as discontinued, and a new trade set up, in any event which under any of the provisions of the Tax Acts is to be treated as equivalent to the permanent discontinuance or setting up of a trade; and
- (b) without prejudice to paragraph (a), a trade shall be treated as discontinued, and a new trade set up, at any time when there is a change in the persons carrying on the trade which involves all of the persons carrying it on before the change permanently ceasing to carry it on.”
- (5) In subsection (10) for the words from the beginning to “any discontinuance, and as if” substitute “Where at any time there has been a change in the persons carrying on a trade, this section shall, notwithstanding subsection (8) above, apply as if”.
- 170 In section 398 (loss relief for transactions in deposits with and without certificates or in debts)—
- (a) after “56(2)”, in the first place where it occurs, insert “above or Chapter 11 of Part 4 of ITTOIA 2005 (transactions in deposits)”,
- (b) after “56(2)”, in the second place where it occurs, insert “above or that Chapter”, and
- (c) for “tax under Schedule D” substitute “corporation tax under Schedule D or income tax under that Act”.
- 171 (1) Amend section 399 (dealings in commodity futures etc: withdrawal of loss relief) as follows.
- (2) Omit subsections (1) and (1A).

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- (3) In subsection (3) for “under Case VI of Schedule D” substitute “(in the case of corporation tax, under Case VI of Schedule D)”.
- (4) In subsection (5) omit the words from “and the reference” to the end.
- 172 In section 401(1) (relief for pre-trading expenditure)—
- (a) for “person” substitute “company”,
 - (b) for “trade, profession or vocation”, wherever it occurs, substitute “trade or profession”,
 - (c) for “he” substitute “the company”,
 - (d) for “his” substitute “the company's”, and
 - (e) for “him” substitute “the company”.
- 173 In section 417(3)(b) (meaning of “associate” etc.) for “Chapter 1A of Part XV (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.
- 174 (1) Amend section 421 (taxation of borrower where loan under section 419 released etc.) as follows.
- (2) In subsection (1)—
- (a) for “advance and” substitute “advance made to the trustees of a trust and after the trust has ended”,
 - (b) in paragraph (a) for “the total income of the person to whom the loan or advance was made”, “him” and “Schedule F” substitute “the income of the person from whom the debt was due (“the debtor”) for corporation tax purposes”, “the debtor” and “dividend” respectively,
 - (c) in paragraph (b) for “he shall not be liable to pay income tax at the Schedule F” substitute “the debtor shall not be liable to pay corporation tax at the dividend”, and
 - (d) omit paragraphs (c) and (d).
- (3) Omit subsections (2) and (3).
- 175 In section 431(2) (interpretative provisions relating to insurance companies) in the definition of “annuity business” for the words “section 580C” substitute “section 725 of ITTOIA 2005 (immediate needs annuities)”.
- 176 In section 431D(3)(b) (meaning of “overseas life assurance business”) after “Chapter II of Part XIII” insert “or Chapter 9 of Part 4 of ITTOIA 2005”.
- 177 In section 434 (franked investment income etc.) omit subsection (1A).
- 178 (1) Amend section 437 (general annuity business) as follows.
- (2) In subsection (1C)(b)(ii) after “capital elements” insert “and amounts exempt under section 717 of ITTOIA 2005”.
- (3) Omit “and” at the end of subsection (1C)(b).
- (4) After subsection (1C)(c) insert “and
- (d) the amounts exempt under section 717 of ITTOIA 2005 shall be determined in accordance with Chapter 7 of Part 6 of that Act, but for this purpose—
 - (i) it is immaterial whether or not an annuitant claims any relief to which the annuitant is entitled under that section; and

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- (ii) where, by virtue of section 718 of that Act, section 717 does not apply to an annuity, the annuity shall be treated as being exempt to the same extent that it would have been apart from that section.”
- 179 (1) Section 468J (dividend distributions of authorised unit trusts) is amended as follows.
- (2) In subsection (2) for “Tax Acts” substitute “Corporation Tax Acts”.
- (3) At the end of subsection (4) insert “(including a dividend treated as paid to a unit holder who is not liable to corporation tax)”.
- 180 (1) Section 468L (interest distributions of authorised unit trusts) is amended as follows.
- (2) In subsection (1A) after “this Chapter” insert “and Chapter 2 of Part 4 of ITTOIA 2005 (interest)”.
- (3) In subsection (2) for “Tax Acts” substitute “Corporation Tax Acts”.
- (4) At the end of subsection (3) insert “(including a payment of interest treated as made to a unit holder who is not liable to corporation tax)”.
- 181 (1) Amend section 469 (other unit trusts) as follows.
- (2) In subsection (2A) for “section 231(1)” substitute “section 397(1) of ITTOIA 2005”.
- (3) For subsection (2B) substitute—
- “(2B) Section 348(4)(a) above and sections 399(2) and (6) and 400(2) and (3) of ITTOIA 2005 shall not apply where the recipient of the distribution in question is the trustees of the scheme.”
- (4) In subsection (3)—
- (a) after “the Tax Acts” insert “other than ITTOIA 2005”, and
- (b) at the end insert “(and see Chapter 10 of Part 4 of that Act for their treatment under that Act)”.
- (5) In subsection (9) for “paragraph 7 of Schedule 5AA” substitute “section 568 of ITTOIA 2005”.
- 182 In section 472A (trading profits etc. from securities: taxation of amounts taken to reserves)—
- (a) in subsection (1) for “person” substitute “company”, and
- (b) in subsection (2) for “person's” substitute “company's”.
- 183 In section 473(1) and (4) (conversion etc. of securities held as circulating capital) for “person” substitute “company”.
- 184 (1) Amend section 477A (building societies: regulations for deduction of tax) as follows.
- (2) In subsection (4)—
- (a) for “terminal bonus” substitute “interest”, and
- (b) for “contractual savings scheme” substitute “SAYE savings arrangement”.
- (3) Omit subsections (5) and (6).
- (4) In subsection (9) omit the words from “but” to the end of the subsection.
- (5) In subsection (10) after “this section—” insert—

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- “certified SAYE savings arrangement” has the meaning given by section 703 of ITTOIA 2005”.
- 185 Omit section 480C (relevant deposits: computation of tax on interest).
- 186 (1) Amend section 481 (“deposit-taker”, “deposit” and “relevant deposit”) as follows.
- (2) In subsection (1A) for “sections 480A and 480C” substitute “section 480A”.
- (3) In subsection (5A)—
- (a) at the end of paragraph (a) insert “above or an uncertificated right falling within section 552(1)(c) of ITTOIA 2005”, and
- (b) in paragraph (c)—
- (i) for “, as defined in section 56(5), has” substitute “or uncertificated eligible debt security units have”, and
- (ii) omit “or 480C”.
- (4) In subsection (6) omit the word “, 480C”.
- 187 (1) Amend section 482 (supplementary provisions) as follows.
- (2) In subsection (6)—
- (a) after “481(5)” insert “and (5A)”,
- (b) after the definition of “appropriate person” insert—
- “certificate of deposit” for corporation tax purposes has the meaning given in section 56(5) above and for income tax purposes has the meaning given in section 552(2) of ITTOIA 2005,”
- (c) in the definition of “qualifying certificate of deposit” for “, as defined in section 56(5), which is” substitute “or uncertificated eligible debt security units, being a certificate or units”, and
- (d) after the definition of “qualifying time deposit” insert—
- “uncertificated eligible debt security units” has the meaning given in section 552(2) of ITTOIA 2005”.
- (3) In subsection (8) for “section 56(5)” substitute “subsection (6) above”.
- 188 (1) Section 486 (industrial and provident societies and co-operative associations) is amended as follows.
- (2) In subsection (1)—
- (a) after “distribution” insert “for the purposes of corporation tax”, and
- (b) for “the purposes of corporation tax” substitute “those purposes”.
- (3) In subsection (4) at the end insert “for the purposes of corporation tax”.
- (4) Omit subsection (5).
- 189 (1) Amend section 491 (distribution of assets of body corporate carrying on mutual business) as follows.
- (2) In subsection (1) for “any person” substitute “any company”.
- (3) In subsection (2) for “the person” substitute “the company”.
- (4) In subsection (3)—

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- (a) for “the purposes of tax”, wherever it occurs, substitute “the purposes of corporation tax”,
 - (b) for “the recipient”, wherever it occurs, substitute “the recipient company”,
 - (c) after “be charged” insert “to corporation tax”, and
 - (d) for “chargeable period” substitute “accounting period”.
- (5) In subsection (4) omit “113 or”.
- (6) Omit subsection (5).
- (7) In subsection (10) omit “or vocation”.
- 190 (1) Amend section 492 (treatment of oil extraction activities etc for tax purposes) as follows.
- (2) In subsection (1) for “for all purposes of income tax, and for the purposes of the charge of corporation tax on income,” substitute “for the purposes of the charge of corporation tax on income”.
- (3) In subsection (4)—
- (a) in paragraph (a) after “are treated by virtue of” insert “section 16(1) of ITTOIA 2005 or”,
 - (b) in paragraph (a) for “the purposes specified in that subsection” substitute “income tax purposes or (as the case may be) for the purposes of the charge of corporation tax on income”,
 - (c) in paragraph (b) after “but which, apart from” insert “section 16(1) of ITTOIA 2005 or”, and
 - (d) after “notwithstanding anything in that” insert “section or”.
- 191 In section 493(2)(a)(i) (valuation of oil disposed of or appropriated in certain circumstances) for “falling within section 492(1)(a) or (b)” substitute “falling within the definition of “oil-related activities” in section 16(2) of ITTOIA 2005 or within section 492(1)(a) or (b) above”.
- 192 In section 495(2) (regional development grants) for “section 492(1)” substitute “section 16(1) of ITTOIA 2005 or section 492(1) above”.
- 193 In section 496(1)(c) (tariff receipts and tax-exempt tariffing receipts) for “section 492(1)” substitute “section 16(1) of ITTOIA 2005 or section 492(1) above”.
- 194 In section 502(1) (interpretation of Chapter 5), in the definition of “ring fence trade”—
- (a) in paragraph (a) for “any of paragraphs (a) to (c) of subsection (1) of section 492” substitute “the definition of “oil-related activities” in section 16(2) of ITTOIA 2005 or within section 492(1) above”, and
 - (b) in paragraph (b) for “that subsection” substitute “section 16(1) of ITTOIA 2005 or section 492(1) above”.
- 195 (1) Amend section 503 (letting of furnished holiday accommodation treated as a trade for certain purposes) as follows.
- (2) In subsection (1)—
- (a) for “specified in subsection (2)” substitute “of Chapter 2 of Part 10 (loss relief for corporation tax)”,
 - (b) omit “in the United Kingdom”,

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- (c) after “chargeable to” insert “corporation”, and
 - (d) for “particular person or partnership or body of persons” substitute “particular company or partnership”.
- (3) Omit subsections (2) and (3).
- (4) In subsection (5)—
- (a) for “Part X” substitute “Chapter 2 of Part 10”, and
 - (b) after “other provision of the” insert “Corporation”.
- (5) In the side-note after “certain” insert “corporation tax”.
- 196 (1) Amend section 504 (meaning of the “commercial letting of furnished accommodation”) as follows.
- (2) Omit subsection (4).
- (3) In subsection (6)—
- (a) omit “year of assessment or”,
 - (b) for “person” substitute “company”,
 - (c) omit “year or” in each place where it occurs,
 - (d) for “he” substitute “the company”, and
 - (e) for “him” substitute “the company”.
- (4) In subsection (6A) for “above is—” to the end substitute “above is the period of two years beginning at the end of the accounting period in which the accommodation was let.”
- (5) In subsection (7)—
- (a) omit “year of assessment or”, and
 - (b) omit “year or” in both places where it occurs.
- (6) In subsection (8) omit “year of assessment or”.
- (7) In subsection (9)—
- (a) for “a person” substitute “a company”, and
 - (b) for “he” substitute “it”.
- 197 After section 504 insert—

“504A Letting of furnished holiday accommodation treated as trade for certain income tax purposes

- (1) For the purposes specified in subsection (2)—
- (a) a UK property business which consists in, or so far as it consists in, the commercial letting of furnished holiday accommodation is treated as if it were a trade the profits of which are chargeable to income tax under Part 2 of ITTOIA 2005, and
 - (b) all such lettings made by a particular person or partnership or body of persons are treated as one trade.

The “commercial letting of furnished holiday accommodation” has the same meaning as it has for the purposes of Chapter 6 of Part 3 of ITTOIA 2005.

- (2) Subsection (1) applies for the purposes of—

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- (a) Chapter 1 of Part 10 (loss relief for income tax),
 - (b) section 833(4)(c) (income regarded as earned income), and
 - (c) section 189(2)(b) of the Finance Act 2004 (income regarded as relevant UK earnings for pension purposes).
- (3) Chapter 1 of Part 10 as applied by this section has effect with the following adaptations—
- (a) no relief is to be given to an individual under section 381 (relief for losses in early years of trade) in respect of a year of assessment if any of the accommodation in respect of which the trade is carried on in that year was first let by that person as furnished accommodation more than three years before the beginning of that year of assessment;
 - (b) section 384 (restrictions on right of set-off) has effect with the omission of subsections (6) to (8) (which relate to certain losses attributable to capital allowances);
 - (c) section 390 (treatment of interest as loss) has effect as if the reference to a trade carried on wholly or partly in the United Kingdom were a reference to the UK property business so far as it is treated as a trade.
- (4) If there is a letting of accommodation only part of which is holiday accommodation, such apportionments are to be made for the purposes of this section as are just and reasonable.
- (5) Relief is not to be given for the same loss, or the same portion of a loss, both under a provision of Chapter 1 of Part 10 as applied by this section and under any other provision of the Income Tax Acts.”
- 198 (1) Amend section 505 (charities: general) as follows.
- (2) In subsection (1)—
- (a) in paragraph (a) after “Schedules A and D” insert “, or under Parts 2 and 3 of ITTOIA 2005,”,
 - (b) in paragraph (c)(ii) after “Schedule D” insert “or under Chapter 2, 7, 8 or 10 of Part 4 of ITTOIA 2005 (interest, purchased life annuity payments, profits from deeply discounted securities and distributions from unauthorised unit trusts), section 579 of that Act so far as it relates to annual payments (royalties etc. from intellectual property), Chapter 4 of Part 5 of that Act so far as it relates to annual payments (certain telecommunication rights: non-trading income) or Chapter 7 of Part 5 of that Act (annual payments not otherwise charged)”,
 - (c) in paragraph (c)(iia) omit “IV or”,
 - (d) after paragraph (c)(iia) insert—
 - “(iiaa) from tax under Chapter 4 of Part 4 of ITTOIA 2005 (dividends from non-UK resident companies) or from tax under Chapter 8 of Part 5 of that Act (income not otherwise charged) so far as it applies to relevant foreign distributions,”,
 - (e) in paragraph (c)(iib) from “income” to “and” at the end of subparagraph (iib) substitute “such dividends as would, in the case of income tax, be chargeable to tax under Chapter 4 of Part 4 of ITTOIA 2005 or such distributions (other than dividends) as would, in the case of income tax, be

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- chargeable to tax under Chapter 8 of Part 5 of that Act so far as it would apply to what would be a relevant foreign distribution,”
- (f) in paragraph (c)(iii) for “Schedule F” substitute “Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”,
 - (g) in paragraph (d) after “Schedule D” insert “or Chapter 2 of Part 4 of ITTOIA 2005 (interest)”,
 - (h) in paragraph (e) after “Schedule D” insert “or Part 2 of ITTOIA 2005 (trading income)”, and
 - (i) in paragraph (f) after “Schedule D” insert “or Part 2 or 5 of ITTOIA 2005 (trading and miscellaneous income)”.
- (3) After subsection (1) insert—
- “(1AA) In subsection (1)(c)(iaa) and (iib) “relevant foreign distribution” means any distribution of a company not resident in the United Kingdom which—
- (a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but
 - (b) would be chargeable under Chapter 3 of that Part of that Act if the company were resident in the United Kingdom.”
- (4) In subsection (2) after “chargeable to”, in the second place where it occurs, insert “income tax under Chapter 7 of Part 5 of ITTOIA 2005 (annual payments not otherwise charged) so far as it does not apply to relevant foreign income and shall be chargeable to corporation”.
- 199 In section 512(1) (exemptions for Atomic Energy Authority and National Radiological Protection Board)—
- (a) in paragraph (a) after “under” insert “Part 3 of ITTOIA 2005 so far as it relates to the profits of a UK property business and under”,
 - (b) in paragraph (b)—
 - (i) after “under” insert “ITTOIA 2005 and”, and
 - (ii) after “dividends” insert “or income within Chapter 10 of Part 4 of ITTOIA 2005 (distributions from unauthorised unit trusts)”, and
 - (c) in paragraph (c) for “Schedule F” substitute “Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”.
- 200 Omit section 514 (funds for reducing the national debt).
- 201 (1) Amend section 524 (taxation of receipts from sale of patent rights) as follows.
- (2) In subsection (1)—
- (a) for “person”, “he” and “him” substitute “company”, “the company” and “it” respectively,
 - (b) for “tax” substitute “corporation tax”, and
 - (c) for “chargeable”, in both places where it occurs, substitute “accounting”.
- (3) In subsection (2)—
- (a) for “person” substitute “company”,
 - (b) after “charged to”, in both places where it occurs, insert “corporation”, and
 - (c) for “chargeable” substitute “accounting”.
- (4) In subsection (2A)—
- (a) omit paragraph (a), and

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- (b) in paragraph (b) omit “in the case of an election for the purposes of corporation tax.”.
- (5) In subsection (3)—
 - (a) for the words from the beginning to “in the United Kingdom” substitute “Where a relevant non-resident company”, and
 - (b) in paragraph (a), for “he shall be chargeable to tax” substitute “the company shall be chargeable to corporation tax”.
- (6) Omit subsection (4).
- (7) For subsection (5) substitute—

“(5) In subsection (3) above “relevant non-resident company” means a company not resident in the United Kingdom which would be within the charge to corporation tax in respect of any proceeds of the sale of the patent rights not consisting of a capital sum.”
- (8) In subsection (6) omit “subsection (4) shall not apply, but”.
- (9) In subsection (7)—
 - (a) for “person” substitute “company”,
 - (b) for “him”, in both places where it occurs, substitute “it”, and
 - (c) for “he” substitute “it”.
- (10) In subsection (8) for “him” substitute “it”.
- 202 (1) Amend section 525 (receipts from sale of patent right: death, winding up or partnership change) as follows.
 - (2) For subsection (1) substitute—

“(1) Where a body corporate on which, by reason of the receipt of a capital sum, a charge falls or would otherwise fall to be made under section 524 commences to be wound up—

 - (a) no sums shall be charged under that section on that body for any accounting period subsequent to that in which the winding up commences; and
 - (b) the amount falling to be charged for the accounting period in which the winding up commences shall be increased by the total amounts which, but for the winding up, would have fallen to be charged for subsequent accounting periods.”
 - (3) Omit subsection (2).
 - (4) In subsection (4)—
 - (a) in paragraph (a)—
 - (i) for “chargeable period” substitute “accounting period”,
 - (ii) omit “(or, if he is dead, his personal representatives)”, and
 - (iii) for “his” substitute “its”, and
 - (b) omit paragraph (b) and the word “and” immediately preceding it.
 - (5) In the sidenote omit “death,”.
- 203 (1) Amend section 526 (relief for expenses) as follows.

- (2) In subsection (1)—
- (a) for “person” substitute “company”,
 - (b) for “him”, in the first place where it occurs, substitute “it”,
 - (c) for “him”, in the second place where it occurs, substitute “the company for the purposes of corporation tax”, and
 - (d) for “chargeable” substitute “accounting”.
- (3) Omit subsection (2).
- 204 In section 527(4) (spreading of royalties over several years) at the end insert “of this Act or by virtue of section 595 of ITTOIA 2005”.
- 205 (1) Amend section 528 (manner of making allowances under section 526) as follows.
- (2) Omit subsection (2).
- (3) In subsection (3) omit “as that provision applies for the purposes of corporation tax”.
- (4) In subsection (3A) omit “a person’s or” and “479 or”.
- 206 Omit section 529 (patent income to be earned income in certain cases).
- 207 (1) Amend section 531 (disposals of know-how) as follows.
- (2) In subsection (1)—
- (a) for “a person” substitute “a company”,
 - (b) for “him”, in both places where it occurs, substitute “the company”,
 - (c) for “tax”, in both places where it occurs, substitute “corporation tax”, and
 - (d) for “all purposes” substitute “the purposes of corporation tax”.
- (3) For subsection (2) substitute—
- “(2) Subject to subsection (3) below, where—
- (a) a person carrying on a trade receives consideration for the disposal of know-how which has been used in the trade, and
 - (b) the know-how is disposed of as part of the disposal of all or part of the trade,
- the consideration shall for the purposes of corporation tax be treated as a payment for goodwill in relation both to the person making the disposal and to the person acquiring the know-how (if that person provided the consideration).”
- (4) In subsection (3)(a) for “to either of the persons concerned if they so elect” substitute “if, in the case of the person disposing of the know-how being within the charge to corporation tax, that person and the person acquiring the know-how (whether or not within the charge to corporation tax) elect for that subsection not to apply”.
- (5) After subsection (3) insert—
- “(3A) If—
- (a) an election is made under section 194 of ITTOIA 2005 (provision corresponding to subsections (2) and (3) of this section for the purposes of income tax), and
 - (b) the person making the acquisition mentioned in that section is within the charge to corporation tax,

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the persons making the election under that section are treated as also making an election under subsection (3) of this section (even though the person disposing of the know-how is not within the charge to corporation tax).”

- (6) In subsection (4)—
- (a) for “person” substitute “company”,
 - (b) for “him” substitute “the company”, and
 - (c) for “tax”, in both places where it occurs, substitute “corporation tax”.
- (7) In subsection (5)—
- (a) for “person” substitute “company”, and
 - (b) for “tax” substitute “corporation tax”.
- (8) Omit subsection (6).
- (9) In subsection (7) for “(6)” substitute “(5)”.
- 208 In section 532 (application of Capital Allowances Act) for “529” substitute “528”.
- 209 (1) Amend section 533 (interpretation of intellectual property provisions) as follows.
- (2) In subsection (1)—
- (a) for “529” substitute “528”, and
 - (b) for the definition of “income from patents” substitute—

““income from patents” means—

 - (a) any royalty or other sum paid in respect of the use of a patent; and
 - (b) any amount on which tax is payable for any accounting period by virtue of section 524 or 525 above or section 472(5) of, or paragraph 100 of Schedule 3 to, the Capital Allowances Act,

but does not include any amount chargeable to income tax.”
- (3) In each of subsections (2) to (5) for “529” substitute “528”.
- 210 (1) Amend section 539 (life policies, life annuities and capital redemption policies: introductory) as follows.
- (2) In subsection (1) for “tax” substitute “corporation tax”.
- (3) In subsection (3) for the definition of “life annuity” substitute—
- ““life annuity” means—
- (a) any annuity to which section 656 (as read with section 657) applies, or
 - (b) any annuity that—
 - (i) is a purchased life annuity for the purposes of Chapter 7 of Part 4 of ITTOIA 2005 (see section 423 of that Act), and
 - (ii) is not specified in section 718 of that Act (annuities the payments under which are not within section 717 of that Act (exemption for part of purchased life annuity payments));”.
- (4) Omit subsection (8).
- 211 After that section insert—

“539ZA Application of this Chapter etc. to policies and contracts in which persons other than companies are interested

- (1) This section applies where, for the purposes of determining the application of this Chapter in relation to a policy or contract at any time, it is necessary to have regard to its application at another time.
 - (2) It makes no difference to the application of this Chapter at that other time whether liability in respect of a gain arising at that time would have arisen or (as the case may be) would arise because of the application of this Chapter or Chapter 9 of Part 4 of ITTOIA 2005 (which makes provision for income tax purposes corresponding to that made by this Chapter).
 - (3) References in this section to this Chapter include references to paragraph 20 of Schedule 15 to this Act and section 79 of the Finance Act 1997 (payments under certain life insurance policies).”
- 212 In section 543(1)(a)(i) (life annuity contracts: computation of gain) for “one or more payments” to the end of the sub-paragraph substitute “any payments have been made on account of the annuity, by so much of those payments as is determined to be the capital element in them under section 656 of this Act or is exempt under section 717 of ITTOIA 2005; and”.
- 213 In section 544(6)(a) (second and subsequent assignment of life policies and contracts) for “section 547(1)(a)” substitute “section 547A(17)”.
- 214 In section 545(1)(a) (capital redemption policies) for “to tax” to the end of the paragraph substitute “—
- (i) to corporation tax under Schedule D,
 - (ii) to income tax under Part 9 of ITEPA 2003 (pension income) because section 609, 610 or 611 of that Act applies to them (certain employment related annuities), or
 - (iii) to income tax under Chapter 7 of Part 4 (purchased life annuity payments) or Chapter 7 of Part 5 (annual payments not otherwise charged) of ITTOIA 2005;”.
- 215 In section 546C(8) (charging the section 546 excess to tax where section 546B applies)—
- (a) for “any provision of section 547” substitute “section 547(1)(b)”,
 - (b) for “body or person” substitute “company”,
 - (c) omit paragraph (a) and the word “or” at the end of it,
 - (d) in paragraph (b) for “it” substitute “the chargeable event in question”, and
 - (e) omit “year of assessment or”.
- 216 (1) Amend section 547 (method of charging gain to tax) as follows.
- (2) In subsection (1) omit paragraph (a) and paragraphs (c) to (e).
 - (3) In paragraph (b) of that subsection for “that event, those rights” substitute “the chargeable event in question, the rights conferred by the policy or contract”.
 - (4) In subsection (1A)—
 - (a) for “their” substitute “its”, and
 - (b) for “and subsections (9) to (11) below are” substitute “is”.

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- (5) Omit subsections (4A) to (7A) and (9) to (14).
- 217 (1) Amend section 547A (method of charging gain to tax: multiple interests) as follows.
- (2) For subsection (1) substitute—
- “(1) If—
- (a) immediately before the happening of a chargeable event, two or more persons have relevant interests in the rights conferred by the policy or contract in question, and
- (b) any of those persons is a company,
- section 547 shall have effect in relation to each such company as if it had been the only person with a relevant interest in those rights, but with references to the amount of the gain construed as references to the company’s proportionate share of the amount of the gain.”
- (3) In subsection (15) for the definition of “foreign institution” substitute—
- ““foreign institution” means a person which is a company or other institution resident or domiciled outside the United Kingdom;”.
- (4) For subsection (16) substitute—
- “(16) For the purposes of this section, property held for the purposes of a foreign institution shall be regarded as in the beneficial ownership of the foreign institution.
- (17) Any reference in this section to trusts created by an individual includes a reference to trusts arising under—
- (a) section 11 of the Married Women’s Property Act 1882;
- (b) section 2 of the Married Women’s Policies of Assurance (Scotland) Act 1880; or
- (c) section 4 of the Law Reform (Husband and Wife) Act (Northern Ireland) 1964;
- and references to the settlor or to the person creating the trusts shall be construed accordingly.”
- 218 In section 548(1) (deemed surrender of certain loans) for paragraph (a) substitute—
- “(a) a gain arising in connection with a policy or contract would be—
- (i) treated as forming part of the income of a company under section 547(1)(b), or
- (ii) a gain for which an individual is, or any trustees are, liable to tax under Chapter 9 of Part 4 of ITTOIA 2005; and”.
- 219 Omit section 549 (certain deficiencies allowable as deductions).
- 220 Omit section 550 (relief where gain charged at a higher rate).
- 221 Omit section 551 (right of individual to recover tax from trustees).
- 222 (1) Amend section 552 (information: duty of insurers) as follows.
- (2) In subsection (1) omit “within the meaning of this Chapter”.
- (3) In subsection (5)—

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- (a) in paragraph (b)(ii) for “, the date” to the end of the sub-paragraph substitute “of this Act and section 514(1) of ITTOIA 2005 (chargeable events where transaction-related calculations show gains), the date on which the year and the insurance year end.”,
- (b) in paragraph (c)—
 - (i) after “this Chapter” insert “and Chapter 9 of Part 4 of ITTOIA 2005”,
 - (ii) after “relevant capital payments” insert “and the amount or value of any capital sums of a kind referred to in section 492(1)(b) to (e) of ITTOIA 2005”,
 - (iii) in sub-paragraph (iii) after “annuity” insert “determined in accordance with section 656 and the amount of so much of any payment previously made on account of an annuity as is exempt under section 717 of ITTOIA 2005”, and
 - (iv) in sub-paragraph (v) after “year” insert “and the total of the amounts of gains treated as arising on previous chargeable events within section 509(1) or 514(1) of ITTOIA 2005”,
- (c) for paragraph (e) substitute—
 - “(e) the number of years relevant for computing the annual equivalent of the amount of the gain for the purposes of subsection (1) of section 536 of ITTOIA 2005 (top slicing relieved liability: one chargeable event), apart from subsections (6) and (8) of that section;”, and
- (d) for paragraph (f) substitute—
 - “(f) on the assumption that section 465 of ITTOIA 2005 (person liable: individuals) has effect in relation to the gain —
 - (i) whether an individual would fall to be treated as having paid income tax at the lower rate on the amount of the gain in accordance with section 530 of that Act; and
 - (ii) if so, except in a case where paragraph (c) above applies, the amount of such tax that would fall to be so treated as paid.”
- (4) In subsection (6)—
 - (a) in paragraph (b)—
 - (i) after “section 546C(7)(a)” insert “of this Act (and section 514(1) of ITTOIA 2005)”, and
 - (ii) after “year” insert “(and the insurance year)”, and
 - (b) in paragraph (c) after “section 546C(7)(a)” insert “of this Act (and section 514(1) of ITTOIA 2005)”.
- (5) In subsection (7)(b)—
 - (a) after “section 546C(7)(a)” insert “of this Act (and section 514(1) of ITTOIA 2005)”, and
 - (b) after “year” insert “(and the insurance year)”.
- (6) In subsection (9)(a)—
 - (a) after “section 546C(7)(b)” insert “of this Act (and section 514(1) of ITTOIA 2005)”, and

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- (b) after “occurs” insert “(and the end of the insurance year mentioned in section 514(3) and (4) of ITTOIA 2005)”.
- (7) In subsection (10)—
- (a) in the definition of “amount” after “section 553(3)” insert “of this Act and section 528 of ITTOIA 2005”, and
- (b) insert in the appropriate place—
- ““chargeable event” means an event which is a chargeable event within the meaning of this Chapter and Chapter 9 of Part 4 of ITTOIA 2005;”.
- 223 In section 552ZA(3) (information: supplementary provisions) after “section 546C(7)(a)” insert “of this Act and section 514(1) of ITTOIA 2005”.
- 224 (1) Amend section 552A (tax representatives) as follows.
- (2) In subsection (5) omit “in relation to which this Chapter has effect and”.
- (3) In subsection (12) insert in the appropriate place—
- ““capital redemption policy” means a capital redemption policy in relation to which this Chapter and Chapter 9 of Part 4 of ITTOIA 2005 have effect;”,
- ““contract for a life annuity” means a contract for a life annuity in relation to which this Chapter and Chapter 9 of Part 4 of ITTOIA 2005 have effect;”, and
- ““policy of life insurance” means a policy of life insurance in relation to which this Chapter and Chapter 9 of Part 4 of ITTOIA 2005 have effect;”.
- 225 In section 552B (duties of overseas insurers' tax representatives) after subsection (5) insert—
- “(5A) In subsection (5) “chargeable event” has the same meaning as in section 552 (see subsection (10) of that section).”
- 226 (1) Amend section 553 (non-resident policies and off-shore capital redemption policies) as follows.
- (2) For subsection (4) substitute—
- “(4) The number of days in the period referred to in subsection (3) shall be calculated, where appropriate, from the issue of the earliest related policy, that is, any policy in relation to which the policy is a new policy within the meaning of paragraph 17 of Schedule 15, any policy in relation to which that policy is such a policy, and so on.”
- (3) Omit subsections (6) to (9).
- (4) In subsection (10) in the definition of “foreign institution” for “section 547” substitute “section 547A”.
- 227 (1) Amend section 553A (overseas life insurance business) as follows.
- (2) Omit subsection (3).

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- (3) In subsection (4), in the definition of “new non-resident policy”, for “subsections (2) and (3)” substitute “subsection (2)”.
- 228 (1) Amend section 553C (personal portfolio bonds) as follows.
- (2) In subsection (1) for “tax” substitute “corporation tax”.
- (3) In subsection (2) for “tax”, in both places where it occurs, substitute “corporation tax”.
- (4) In subsection (3)(a) for “tax”, in the first place where it occurs, substitute “corporation tax”.
- (5) In subsection (4)—
- (a) for “tax” substitute “corporation tax”,
 - (b) after paragraph (b) insert “or”,
 - (c) in paragraph (c) for the words from “person or body of persons” to the end of the paragraph substitute “company”, and
 - (d) omit paragraph (d) and the word “or” before it.
- (6) After subsection (9) insert—
- “(9A) The Treasury may by regulations make provision, in relation to any policy or contract to which this subsection applies, for—
- (a) treating an event described in the regulations as if it were a chargeable event, and
 - (b) treating an amount determined in accordance with the regulations as if it were a gain treated as arising on the happening of a chargeable event.
- (9B) Regulations under subsection (9A) may make such provision for the purposes only of enabling the gain to be taken into account in the application of this Chapter to the policy or contract on the later happening of a chargeable event.
- (9C) Regulations under subsection (9A) may make any provision for the calculation of the amount of the gain which regulations under subsection (1) may make for the calculation of the amount charged to corporation tax by virtue of regulations under that subsection.
- (9D) Subsections (6), (8) and (9) apply to regulations under subsection (9A).
- (9E) Subsection (9A) applies to a policy or contract if—
- (a) it is a personal portfolio bond, and
 - (b) liability in respect of a gain arising in relation to it would arise by virtue of any of sections 464 to 468 of ITTOIA 2005 (persons liable for tax under Chapter 9 of Part 4 of that Act).”
- 229 Omit section 554 (borrowings on life policies to be treated as income in certain cases).
- 230 (1) Amend section 556 (activity treated as trade etc. and attribution of income) as follows.
- (2) Omit subsection (1).

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- (3) For subsection (2) substitute—
- “(2) If—
- (a) under section 13(5) of ITTOIA 2005 a payment made to a person is treated as made instead to the performer, and
- (b) the person to whom the payment is actually made is a company within the charge to corporation tax,
- the company is treated for corporation tax purposes as if the payment had not been made to it.”
- (4) In subsection (3)—
- (a) omit paragraph (a), and
- (b) in paragraph (b) for “tax (whether of the entertainer or sportsman or of another person)” substitute “corporation tax”.
- 231 Omit section 557 (charge on profits).
- 232 In section 568(1) (deductions from profits of contributions paid under certified schemes)—
- (a) after “section 74” insert “of this Act or section 33 of ITTOIA 2005”, and
- (b) after “Case I of Schedule D,” insert “or under Part 2 of ITTOIA 2005,”.
- 233 In section 570(4) (payments under certified schemes which are not repayments of contributions) for “any of the provisions of section 113 or section 337(1)” substitute “section 337(1) above or section 18 of ITTOIA 2005 (companies beginning or ceasing to carry on trade)”.
- 234 In section 571(1) (cancellation of certificates) for “under Case VI of Schedule D” substitute “(in the case of corporation tax, under Case VI of Schedule D)”.
- 235 (1) Amend section 577 (business entertaining expenses) as follows.
- (2) In subsection (1)(a)—
- (a) for “tax” substitute “corporation tax”, and
- (b) for “the Tax Acts” substitute “the Corporation Tax Acts”.
- (3) In subsection (3)—
- (a) for “any person” substitute “any company”,
- (b) for “by him”, in the first and second places where it occurs, substitute “by the company”, and
- (c) for “a member of his staff” substitute “an employee of the company”.
- (4) In subsection (5)—
- (a) for “a person” substitute “a company”,
- (b) for “a member of his staff” substitute “an employee of the company”,
- (c) for “that person” substitute “the company”,
- (d) for “him” substitute “the company”, and
- (e) for “members of his staff” substitute “employees of the company”.
- (5) In subsection (7)—
- (a) in paragraph (b) for “, profession or vocation” substitute “or profession”, and
- (b) in paragraph (c)—

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- (i) for “the members of a person’s staff” substitute “a company’s employees”,
 - (ii) for “that person” substitute “the company”, and
 - (iii) for “a company”, in both places where it occurs, substitute “the company”.
- (6) In subsection (8)(b)—
- (a) for “him”, in both places where it occurs, substitute “the donor”, and
 - (b) for “relevant tax period” substitute “accounting period”.
- (7) Omit subsection (8A).
- (8) In subsection (10)—
- (a) for “any person” substitute “any company”,
 - (b) for “his trade” substitute “its trade”, and
 - (c) for “by him” substitute “by the company”.
- 236 (1) Amend section 577A (expenditure involving crime) as follows.
- (2) In subsections (1) and (1A) for “tax” substitute “corporation tax”.
- (3) In subsection (2)(a) for “the Tax Acts” substitute “the Corporation Tax Acts”.
- 237 In section 578(1) (housing grants) for “any tax purpose” substitute “corporation tax purposes”.
- 238 In section 578A(1) (expenditure on car hire) for “tax” substitute “corporation tax”.
- 239 (1) Amend section 579 (statutory redundancy payments) as follows.
- (2) In subsection (2)—
- (a) after “payment is made” insert “by a company”,
 - (b) for “trade, profession or vocation”, in each place, substitute “trade or profession”, and
 - (c) for “the employer” substitute “the company”.
- (3) In subsection (3)—
- (a) after “payment is made” insert “by a company”, and
 - (b) for “the employer” substitute “the company”.
- (4) In subsection (5) for “tax purposes” substitute “corporation tax purposes”.
- (5) In subsection (6) for “the employer”, in both places, substitute “the company”.
- 240 Omit sections 580A to 580C (relief from tax on annual payments under certain insurance policies and immediate needs annuities).
- 241 Omit section 581 (borrowing in foreign currency by local authorities and statutory corporations).
- 242 After section 581 insert—

“581A Interest on foreign currency securities etc.

Interest within section 755(1) of ITTOIA 2005 (interest on foreign currency securities etc.) shall be paid without deduction of income tax.”

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- 243 (1) Section 582 (funding bonds issued in respect of interest on certain debts) is amended as follows.
- (2) In subsection (1)—
- (a) in paragraph (a) for “all the purposes of the Tax Acts” substitute “all the purposes of the Corporation Tax Acts”, and
 - (b) in paragraph (b) at the beginning insert “where paragraph (a) above or section 380 of ITTOIA 2005 (which makes provision similar to that paragraph for income tax purposes) applies”.
- (3) In subsection (2)—
- (a) after “subsection (1) above” insert “or section 380 of ITTOIA 2005”, and
 - (b) in paragraph (b)(ii)—
 - (i) after “this section” insert “or section 380 of ITTOIA 2005”, and
 - (ii) after “Case VI of Schedule D” insert “(corporation tax) or under Chapter 2 of Part 4 of ITTOIA 2005 (income tax)”.
- 244 Omit section 583 (Inter-American Development Bank).
- 245 (1) Section 584 (relief for unremittable overseas income) is amended as follows.
- (2) In subsection (1)—
- (a) for “a person is chargeable to tax” substitute “a company is chargeable to corporation tax”,
 - (b) for “for the purposes of tax” substitute “for the purposes of corporation tax”, and
 - (c) for “he”, in each place where it occurs, substitute “the company”.
- (3) In subsection (2)—
- (a) for “a person” substitute “a company”,
 - (b) for “his” substitute “its”, and
 - (c) for the words from “and tax” to “assessable,” substitute “and corporation tax shall be assessable”.
- (4) In subsection (4) for “a person becomes chargeable to income tax or” substitute “a company becomes chargeable to”.
- (5) Omit subsections (6)(a) and (7).
- 246 Omit section 585 (relief from tax on delayed remittances).
- 247 In section 586(1) (disallowance of deductions for war risk premiums) for “tax purpose” substitute “corporation tax purpose”.
- 248 (1) Amend section 587 (disallowance of certain payments in respect of war injuries to employees) as follows.
- (2) In subsection (1) omit “, or total income,” and for “tax purpose” substitute “corporation tax purpose”.
- (3) In subsection (2)(b) for “section 121” substitute “section 121(3).”
- 249 In section 587B(2) (gifts of shares, securities and real property to charities etc.)—
- (a) in paragraph (b) after “section 83A” insert “of this Act, section 108 of ITTOIA 2005”, and

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- (b) for “section 550(2)(a) or (b)” substitute “sections 535 to 537 of ITTOIA 2005”.
- 250 (1) Amend section 588 (training courses for employees) as follows.
- (2) In subsection (1) for “person” substitute “company”.
- (3) In subsection (3) for “trade, profession or vocation” substitute “trade or profession”.
- (4) In subsection (5)—
- (a) for “tax” substitute “corporation tax”,
- (b) for “year” substitute “accounting period”,
- (c) for “he” substitute “it”,
- (d) omit “section 29(1) of the Management Act, or”, and
- (e) for “chargeable period” substitute “accounting period”.
- (5) In subsection (7) for “he” substitute “it”.
- 251 (1) Amend section 589A (counselling services for employees) as follows.
- (2) In subsection (7)—
- (a) for “(8) to (10)” substitute “(8) and (9)”, and
- (b) for “person under whom” substitute “company under which”.
- (3) In subsection (8) for “trade, profession or vocation” substitute “trade or profession”.
- 252 (1) Amend section 591C (cessation of approval: tax on certain schemes) as follows.
- (2) In subsection (1) for “tax shall be charged” substitute “income tax shall be charged under and”.
- (3) In subsection (2) omit “under Case VI of Schedule D”.
- (4) In subsection (6A)(c)(iii) for “Schedule D” substitute “Part 2 of ITTOIA 2005”.
- 253 (1) Amend section 592 (exempt approved schemes) as follows.
- (2) In subsection (3)—
- (a) after “the schemes” insert “, are not relevant foreign income”, and
- (b) for “Case VI of Schedule D” substitute “Chapter 8 of Part 5 of ITTOIA 2005 (income not otherwise charged)”.
- (3) In subsection (4)(a) after “for the purposes of” insert “Part 2 of ITTOIA 2005 or”.
- 254 (1) Amend section 598 (charge to tax: repayment of employee’s contributions) as follows.
- (2) In subsection (1) after “this section,” insert “income”.
- (3) In subsection (2) for the words from the beginning to “Schedule D” substitute “The person liable for any tax chargeable under this section shall be the administrator of the scheme”.
- 255 (1) Amend section 599 (charge to tax: commutation of entire pension in special circumstances) as follows.
- (2) In subsection (1) after “whether wholly or not, under the rule,” insert “income”.
- (3) In subsection (1B) before “tax” insert “income”.

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- (4) In subsection (3) for the words from the beginning to “Schedule D on that amount,” substitute “The person liable for any tax chargeable under this section shall be the administrator of the scheme”.
- 256 In section 599A (charge to tax: payments out of surplus funds) for subsection (2) substitute—
- “(2) On the making of a payment to which subsection (1) above applies—
- (a) income tax is charged at the relevant rate on such amount as, after deduction of tax at that rate, would equal the amount of the payment, and
- (b) the person liable for the tax so charged is the administrator of the scheme.”
- 257 In section 601(5)(b) (charge to tax: payments to employers) for “to tax on the amount of the payment under Case VI of Schedule D” substitute “—
- (i) to income tax on the full amount of the payment arising in the year of assessment; or
- (ii) to corporation tax on the amount of the payment under Case VI of Schedule D”.
- 258 In section 602(1)(a) (regulations relating to pension fund surpluses) omit “under Case VI of Schedule D”.
- 259 (1) Amend section 607 (pilots' benefit fund) as follows.
- (2) In subsection (2)(c) for “the provisions of Case II of Schedule D” substitute “such of the provisions of Part 2 of ITTOIA 2005 as apply in calculating the profits of a profession”.
- (3) In subsection (3)(a) for “in assessing tax under Schedule D” substitute “in calculating the profits of the profession”.
- 260 In section 608(2) (superannuation funds approved before 6th April 1980)—
- (a) in paragraph (b)—
- (i) after “commissions” insert “which are not relevant foreign income and”, and
- (ii) for “Case VI of Schedule D” substitute “Chapter 8 of Part 5 of ITTOIA 2005”, and
- (b) in paragraph (c) for the words from “under” onwards substitute “under Chapter 11 of Part 4 of ITTOIA 2005 (transactions in deposits) by virtue of a disposal of deposit rights falling within section 552(1)(a) or (b) of that Act”.
- 261 In section 614(2A) (exemptions and reliefs in respect of income from investments etc. of certain pension schemes) for the words from “paragraph 1” to “(relevant)” substitute “Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply”.
- 262 (1) Amend section 617 (social security benefits and contributions) as follows.
- (2) In subsection (3)—
- (a) for “subsection (4) below” substitute “subsections (4) and (5) below”, and
- (b) after “allowed” insert “for corporation tax purposes”.
- (3) In subsection (4)—

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- (a) at the end of paragraph (b) insert “or”, and
 - (b) omit paragraphs (d) and (e).
- (4) After subsection (4) insert—
 - “(5) Subsection (3) above shall not apply for the purposes of deductions under Chapter 2 of Part 5 of ITEPA 2003 (in relation to which section 360A of that Act applies).”
- 263 (1) Amend section 623 (relevant earnings) as follows.
 - (2) In subsection (2)—
 - (a) in paragraph (c) for “Schedule D” substitute “Part 2 of ITTOIA 2005”, and
 - (b) for paragraph (d) substitute—
 - “(d) income to which section 833(5B) (patent income) applies;”.
 - (3) In subsection (6)—
 - (a) in paragraph (a) for “section 74(m), (p) or (q)” substitute “section 51 of ITTOIA 2005”, and
 - (b) after the “or” at the end of that paragraph insert—
 - “(aa) deductions in respect of any annuity or other annual payment (other than interest) payable out of his profits; or”.
- 264 In section 644(2) (meaning of “relevant earnings”)—
 - (a) in paragraph (c) for “Schedule D” substitute “Part 2 of ITTOIA 2005”, and
 - (b) for paragraph (d) substitute—
 - “(d) income to which section 833(5B) (patent income) applies.”
- 265 In section 646(2) (meaning of “relevant net earnings”)—
 - (a) in paragraph (a) for “section 74(m), (p) or (q)” substitute “section 51 of ITTOIA 2005”,
 - (b) after that paragraph insert—
 - “(aa) deductions in respect of any annuity or other annual payment (other than interest) payable out of his profits;”,
 - and
 - (c) in paragraph (bb) for “section 332(3) of this Act” substitute “section 159 of ITTOIA 2005”.
- 266 (1) Amend section 648B (return of contributions after pension date) as follows.
 - (2) In subsection (1) for “Tax” substitute “Income tax”.
 - (3) In subsection (2) for the words from the beginning to “Schedule D” substitute “The person liable for any tax chargeable under this section shall be the administrator of the scheme”.
- 267 (1) Amend section 650A (charge on withdrawal of approval from arrangements) as follows.
 - (2) In subsection (1) for “tax shall be charged” substitute “income tax shall be charged under and”.
 - (3) In subsection (2) omit “under Case VI of Schedule D”.

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- 268 (1) Amend section 656 (purchased life annuities other than retirement annuities) as follows.
- (2) In subsection (1)—
- (a) for “Tax Acts”, in the first place where it occurs, substitute “Corporation Tax Acts”, and
- (b) for “other purposes of the Tax Acts” substitute “other corporation tax purposes”.
- (3) In subsections (5) and (6) for “he”, in each place it occurs, substitute “the person”.
- 269 In section 657(2)(a) (purchased life annuities to which section 656 does not apply) for “Tax Acts” substitute “Corporation Tax Acts”.
- 270 (1) Amend section 658 (supplementary provisions about purchased life annuities) as follows.
- (2) In subsection (5)—
- (a) for “If any person” substitute “Any person who”, and
- (b) omit “for himself or for any other person” and “, he”.
- (3) After subsection (5) insert—
- “(6) It does not matter for whom that relief or repayment is to be obtained.”
- 271 Omit sections 660A and 660B (income arising under settlement where settlor retains an interest and payments to unmarried minor children of settlor).
- 272 (1) Amend section 660C (nature of charge on settlor) as follows.
- (2) Omit subsections (1) to (2).
- (3) In subsection (3)—
- (a) for “this Chapter” substitute “section 624 or 629 of ITTOIA 2005 (income where settlor retains an interest or income paid to unmarried minor children of settlor)”, and
- (b) for “this section” substitute “section 619 of that Act (charge to tax under Chapter 5 of Part 5 of that Act) so far as relating to income so treated”.
- (4) After subsection (3) insert—
- “(4) Income which is treated for income tax purposes as the income of the settlor alone by virtue of section 624 or 629 of ITTOIA 2005 is accordingly not the income of any company for corporation tax purposes.”
- 273 Omit sections 660D to 660G (settlements: supplementary provisions etc.).
- 274 Omit section 677 (sums paid to settlor otherwise than as income).
- 275 Omit section 678 (capital sums paid by body connected with settlement).
- 276 Omit sections 682 and 682A (ascertainment of undistributed income and supplementary provisions for Chapter 1B).
- 277 (1) Amend section 686 (accumulation and discretionary trusts: special rates of tax) as follows.
- (2) In subsection (1) for “Schedule F” substitute “dividend”.
- (3) In subsection (1AA)(a)—

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- (a) for “Schedule F”, in the first place where it occurs, substitute “distribution”, and
 - (b) for “Schedule F”, in the second place where it occurs, substitute “dividend”.
- (4) In subsection (1A) for “Schedule F” substitute “dividend”.
- (5) In subsection (2AA) for “Schedule F” substitute “dividend”.
- (6) In subsection (5A) for ““Schedule F type” substitute ““distribution type” and for paragraphs (a) to (g) substitute—
- “(a) income chargeable under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.);
 - (b) income chargeable under Chapter 4 of that Part (dividends from non-UK resident companies);
 - (c) income treated as arising to the trustees under Chapter 5 of that Part (stock dividends from UK resident companies);
 - (d) income chargeable under Chapter 6 of that Part (release of loan to participator in close company);
 - (e) a relevant foreign distribution chargeable under Chapter 8 of Part 5 of that Act (income not otherwise charged); or
 - (f) any amount which, by virtue of section 686A of this Act, is treated for the purposes of the Tax Acts as if it were income to which this section applies.”
- (7) After that subsection insert—
- “(5B) In subsection (5A) “relevant foreign distribution” means any distribution of a company not resident in the United Kingdom which—
- (a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but
 - (b) would be chargeable under Chapter 3 of that Part if the company were resident in the United Kingdom.”
- (8) In subsection (6) for “Part XVI” substitute “Chapter 6 of Part 5 of ITTOIA 2005”.
- 278 (1) Amend section 687 (payments under discretionary trusts) as follows.
- (2) In subsection (1)(b) for “section 660B” substitute “section 629 of ITTOIA 2005 (income paid to unmarried minor children of settlor)”.
- (3) In subsection (3)(a) for “Schedule F” substitute “dividend”.
- (4) In subsection (3)(a1)—
- (a) for “Schedule F”, in the first two places where it occurs, substitute “dividend”, and
 - (b) for “Schedule F”, in the third place where it occurs, substitute “Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”.
- (5) In subsection (3)(a2)—
- (a) for “233(1A)” substitute “399 of ITTOIA 2005 (non-UK residents other than eligible non-UK residents receiving qualifying distributions)”, and
 - (b) for “Schedule F”, in both places where it occurs, substitute “dividend”.
- (6) In subsection (3)(aa)—

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- (a) for “233(1B)” substitute “400 of that Act (non-qualifying distributions)”,
and
 - (b) for “Schedule F”, in both places where it occurs, substitute “dividend”.
- (7) In paragraphs (b), (bb) and (bc) of subsection (3) for “Schedule F”, in each place where it occurs, substitute “dividend”.
- (8) In subsection (3)(b) for “section 249(6)” substitute “section 410(3) of ITTOIA 2005 (when stock dividend income arises)”.
- (9) In subsection (3)(bb) for “section 421(1)(a)” substitute “416(3) of ITTOIA 2005 (income charged on release of loan to participator in close company)”.
- (10) In subsection (3) after paragraph (k) insert—
- “(l) the amount of any tax on an amount which is treated as income of the trustees by virtue of Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) and is charged to tax at the rate applicable to trusts by virtue of section 457 of that Act.”
- 279 Omit section 688 (schemes for employees and directors to acquire shares).
- 280 (1) Amend section 689B (order in which expenses to be set against income: trust management expenses) as follows.
- (2) In subsection (2) for paragraphs (za) to (c) substitute—
- “(a) so much of the income of the trustees as is income chargeable under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.);
 - (b) income treated as arising to the trustees under Chapter 5 of that Part (stock dividends from UK resident companies); or
 - (c) income chargeable under Chapter 6 of that Part (release of loan to participator in close company).”
- (3) In subsection (2A) for “income to which section 1A applies” to the end substitute “—
- (a) income chargeable under Chapter 4 of Part 4 of ITTOIA 2005 (dividends from non-UK resident companies); or
 - (b) a relevant foreign distribution chargeable under Chapter 8 of Part 5 of that Act (income not otherwise charged).”
- (4) After that subsection insert—
- “(2B) In subsection (2A) “relevant foreign distribution” means any distribution of a company not resident in the United Kingdom which—
 - (a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but
 - (b) would be chargeable under Chapter 3 of that Part if the company were resident in the United Kingdom.”
- 281 In section 691(2)(b)(ii) (certain income not to be income of settlor etc.) for “section 677” substitute “section 633 of ITTOIA 2005 (capital sums paid to settlor by trustees of settlement)”.
- 282 In section 692(1) (reimbursement of settlor) for “Schedule A business” substitute “UK property business”.
- 283 In section 694(3) (trustees chargeable to income tax in certain cases at higher rate reduced by rate applicable to trusts) for “Chapter IA of this Part” substitute

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“section 624 or 629 of ITTOIA 2005 (income where settlor retains an interest in settlement or income paid to unmarried minor children of settlor)”.

284 (1) Amend section 695 (estates of deceased persons in course of administration: limited interests in residue) as follows.

(2) In subsection (1) for “person who” substitute “company which”.

(3) In subsection (2)—

- (a) for “all tax” substitute “corporation tax”,
- (b) for “person” substitute “company”, and
- (c) for “year of assessment”, in both places where it occurs, substitute “accounting period”.

(4) In subsection (3)—

- (a) for “all tax” substitute “corporation tax”,
- (b) for “person” substitute “company”,
- (c) for “year of assessment”, in both places where it occurs, substitute “accounting period”, and
- (d) for “that period” substitute “the administration period”.

(5) In subsection (4)—

- (a) for “person” substitute “company”,
- (b) for “for any year” substitute “for any accounting period”,
- (c) in paragraph (a) for “that year” substitute “the relevant year of assessment”, and
- (d) in paragraph (b), omit the words from “and shall” to the end of the paragraph.

(6) In subsection (5)—

- (a) for “person” substitute “company”,
- (b) for “income tax for any year” substitute “corporation tax for any accounting period”,
- (c) for “him”, in both places where it occurs, substitute “it”, and
- (d) for “that year” substitute “the relevant year of assessment”.

(7) In subsection (6)—

- (a) for “he” substitute “the company”,
- (b) for “to income tax” substitute “to corporation tax”, and
- (c) omit “, for the purpose of computing his total income,”.

(8) After subsection (6) insert—

“(7) In this section “the relevant year of assessment”, in relation to an amount deemed to have been paid to a company as income for an accounting period by virtue of this section, means the year of assessment for which the amount would have been deemed to have been paid as income if references to accounting periods in subsections (2) and (3) were references to years of assessment.”

285 (1) Amend section 696 (absolute interests in residue) as follows.

(2) In subsection (1) for “person who” substitute “company which”.

(3) In subsection (2)—

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- (a) for “person”, wherever it occurs, substitute “company”, and
 - (b) at the end add “; and references to the residuary income of a company for an accounting period are to be construed in accordance with subsection (8)”.
- (4) In subsection (3)—
- (a) for “all tax” substitute “corporation tax”,
 - (b) for “person” substitute “company”, and
 - (c) for “year of assessment” substitute “accounting period”.
- (5) In subsection (3A)—
- (a) for “person”, in both places where it occurs, substitute “company”,
 - (b) at the end of paragraph (b) insert “(whether or not the company was a company liable to corporation tax at the time of payment)”, and
 - (c) for “year of assessment” substitute “accounting period”.
- (6) In subsection (3B) for—
- (a) “person”, in both places where it occurs,
 - (b) “year of assessment”, in both places where it occurs,
 - (c) “years of assessment”,
 - (d) “each year”,
 - (e) “his”, in both places where it occurs, and
 - (f) “that year”, wherever it occurs in paragraph (a) and (b),
- substitute “company”, “accounting period”, “accounting periods”, “each accounting period”, “its” and “that accounting period” respectively.
- (7) In subsection (4) for “person”, “any year” and “that year” substitute “company”, “any accounting period” and “that accounting period” respectively.
- (8) In subsection (5) for—
- (a) “person”, in both places where it occurs, and
 - (b) “year of assessment”,
- substitute “company” and “accounting period” respectively.
- (9) In subsection (6)—
- (a) for “person” substitute “company”,
 - (b) for “year” substitute “accounting period”, and
 - (c) omit the words from “and shall” to the end of the subsection.
- (10) In subsection (7) for—
- (a) “person”,
 - (b) “income tax for any year”,
 - (c) “that year”, and
 - (d) “him”, in both places where it occurs,
- substitute “company”, “corporation tax for any accounting period”, “the relevant year of assessment” and “it” respectively.
- (11) In subsection (8) omit the words from the beginning to “this section”.
- (12) After subsection (8) insert—
- “(9) In subsection (7) “the relevant year of assessment”, in relation to an amount deemed to have been paid to a company as income for an accounting period

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by virtue of this section, means the year of assessment for which the amount would have been deemed to have been paid as income if references in subsections (3) to (6) to accounting periods were references to years of assessment.”

286 (1) Amend section 697 (supplementary provisions as to absolute interests in residue) as follows.

(2) In subsection (2)—

- (a) for “person”, in both places, substitute “company”, and
- (b) for “his”, in both places where it occurs, substitute “its”.

(3) In subsection (4), omit the words from “, and the residuary income” to the end of the subsection.

(4) After that subsection insert—

“(5) If the amount resulting from the computation mentioned in subsection (4) is greater than the total amount of the reduction which can be made under subsection (2), the share of the residuary income of the estate of the last previous holder of the interest for the last year in which that person had that interest is to be reduced, and so on.”

287 (1) Amend section 698 (special provisions as to certain interests in residue) as follows.

(2) In subsection (1B)(c)(ii) for “year of assessment” substitute “accounting period”.

(3) In subsection (2)(b) for “year” substitute “accounting period”.

(4) In subsection (3)—

- (a) for “all tax” substitute “corporation tax”, and
- (b) for “year of assessment” substitute “accounting period”.

(5) After subsection (3) insert—

“(4) Subsection (5) applies in any case where—

- (a) successively during the administration period there are different persons with absolute interests in the residue of the estate of a deceased person, or in parts of such a residue, and
- (b) some, but not all are companies liable to corporation tax in respect of income within this Part.

(5) References in this section—

- (a) to sums deemed to be paid as income for an accounting period to a person who is not such a company,
 - (b) to the residuary income for any accounting period of such a person, or
 - (c) to amounts deemed to be paid to such a person as income,
- are references to sums that would be so deemed, to the income that would be such residuary income or, as the case may be, to the amounts that would be so deemed if the assumptions in subsection (6) were made.

(6) The assumptions are—

- (a) that each of the persons who is not a company liable to corporation tax in respect of income within this Part is such a company, and

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- (b) that in the case of each person who is not a company, the person’s accounting periods correspond with years of assessment.”
- 288 (1) Amend section 698A (taxation of income of beneficiaries at lower rate or at rates applicable to Schedule F income) as follows.
- (2) In subsection (1) for “Schedule F” substitute “Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”.
- (3) In subsection (2)—
- (a) for “Schedule F”, in the first place where it occurs, substitute “dividend”, and
- (b) for “Schedule F”, in the second place where it occurs, substitute “Chapter 3 of Part 4 of ITTOIA 2005”.
- (4) In subsection (3)—
- (a) after “section 698(3)” insert “above or of section 662 of ITTOIA 2005 read with section 656(3) or 657(4) of that Act”,
- (b) for “Schedule F”, in the first place where it occurs, substitute “dividend”,
- (c) for “Schedule F”, in the second place where it occurs, substitute “Chapter 3 of Part 4 of ITTOIA 2005”,
- (d) for “Schedule F”, in the third place where it occurs, substitute “dividend”, and
- (e) for “Schedule F”, in the fourth place where it occurs, substitute “Chapter 3 of Part 4 of ITTOIA 2005”.
- (5) In the side-note for “Schedule F” substitute “distribution”.
- 289 Omit section 699 (relief from higher rate tax for inheritance tax on accrued income).
- 290 (1) Amend section 699A (untaxed sums comprised in the income of the estate) as follows.
- (2) In subsection (1)(a) for “sections 249(5), 421(2) and 547(1)(c)” substitute “paragraphs (c) to (e) of section 701(8) below”.
- (3) In subsection (1A)—
- (a) in paragraph (a) for “Schedule F” substitute “Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”, and
- (b) omit paragraph (b) and the word “or” immediately preceding it.
- (4) In subsection (4)—
- (a) in paragraph (a) for “section 249(5) or 421(2), at the Schedule F” substitute “section 701(8)(c) or (d), at the dividend”,
- (b) in paragraph (b) for “section 547(1)(c)” substitute “section 701(8)(e)”, and
- (c) in paragraph (c) for “Schedule F” substitute “dividend”.
- (5) Omit subsection (6).
- 291 (1) Amend section 700 (adjustments and information) as follows.
- (2) In subsection (1)—
- (a) for “person” substitute “company”,
- (b) for “year of assessment” substitute “accounting period”,
- (c) for “him”, wherever it occurs, substitute “it”,
- (d) for “that year”, wherever it occurs, substitute “that accounting period”,

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- (e) for “tax” substitute “corporation tax”, and
 - (f) for “he” substitute “it”.
- (3) In subsection (2)—
- (a) for “person”, in both places where it occurs, substitute “company”,
 - (b) for “year of assessment” substitute “accounting period”,
 - (c) for “him”, wherever it occurs, substitute “it”,
 - (d) for “that year”, wherever it occurs, substitute “that accounting period”, and
 - (e) for “tax” substitute “corporation tax”.
- (4) In subsection (3) for “year of assessment” substitute “accounting period”.
- (5) In subsection (4) after “this Part” insert “or Chapter 6 of Part 5 of ITTOIA 2005”.
- (6) In subsection (5)—
- (a) in paragraph (a) for “a year of assessment” substitute “an accounting period”,
 - (b) omit “and” at the end of paragraph (a),
 - (c) after paragraph (a) insert—
 - “(aa) the amount treated as estate income under Chapter 6 of Part 5 of ITTOIA 2005 in respect of that interest or the exercise of that discretion for which he is liable to income tax for a year of assessment, and”,
 - (d) in paragraph (b) after “paragraph (a)” insert “or (aa)”,
 - (e) for “any year of assessment” substitute “any accounting period under this Part or treated as estate income under that Chapter”,
 - (f) after “the purposes of this Part” insert “or that Chapter”, and
 - (g) for “paragraphs (a) and (b)” substitute “paragraphs (a) to (b)”.
- 292 (1) Amend section 701 (interpretation) as follows.
- (2) In subsection (3A) for “Schedule F”, wherever it occurs, substitute “dividend”.
- (3) In subsection (8)—
- (a) omit “and” at the end of paragraph (a),
 - (b) after paragraph (b) insert—
 - “(c) any amount of income treated as arising to the personal representatives under section 410(4) of ITTOIA 2005 (stock dividends) that would be charged to income tax under Chapter 5 of Part 4 of that Act if income arising to personal representatives were so charged (see section 413 of that Act);
 - (d) in a case where section 419(2) of that Act applies (release of loans to participator in close company: debts due from personal representatives), the amount that would be charged to income tax under Chapter 6 of Part 4 apart from that section; and
 - (e) any amount that would have been treated as income of the personal representatives as such under section 466 of that Act if the condition in section 466(2) had been met (gains from contracts for life insurance);”, and
 - (c) omit the second sentence.

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- (4) In subsection (9) after “year of assessment” insert “or accounting period”.
- (5) In subsection (10) after “year of assessment” insert “or accounting period”.
- 293 In section 703(3) (cancellation of tax advantage) after “being chargeable” insert “in the case of corporation tax”.
- 294 (1) Amend section 710 (meaning of “securities”, transfer etc. for purposes of sections 711 to 728) as follows.
- (2) In subsection (3)—
- (a) after “Ulster Savings Certificates” insert “, as defined in section 693(7) of ITTOIA 2005”,
- (b) after paragraph (c) insert—
- “(ca) uncertificated eligible debt security units within the meaning of section 552(2) of that Act;”,
- (c) in paragraph (d) for “section 56(5)” substitute “section 552(2) of that Act”,
- (d) in paragraph (da) for the words from “fulfils” to “of it” substitute “is a right falling within section 552(1)(c) of that Act”, and
- (e) for paragraph (f) substitute—
- “(f) any security that is a deeply discounted security for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 (see section 430 of that Act).”
- (3) After subsection (3) insert—
- “(3A) Paragraph (f) of subsection (3) does not apply to a security on the transfer of which Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) would apply subject to the rules in sections 454 to 456 of that Act (see section 453(2) and (3) of that Act).”
- (4) In subsection (5)—
- (a) omit “and” at the end of paragraph (a), and
- (b) at the end of paragraph (b) insert “and
- (c) does not include any transfer of a security to which Chapter 8 of Part 4 of ITTOIA 2005 applies subject to the rules in sections 454 to 456 of that Act.”
- 295 (1) Amend section 714 (treatment of deemed sums and reliefs) as follows.
- (2) In subsection (2)—
- (a) for “annual profits or gains whose amount” substitute “income of an amount which”,
- (b) for “the profits or gains” substitute “the income”,
- (c) omit “under Case VI of Schedule D”, and
- (d) for “they are” substitute “it is”.
- (3) After subsection (2) insert—
- “(2A) Income tax chargeable by virtue of subsection (2) shall be charged on the full amount of the income treated as received.
- (2B) The person liable for any tax so charged shall be the person treated as receiving the income.”

- 296 In section 715(1)(j) (exceptions from sections 713 and 714) for the words from “chargeable” to “United Kingdom” substitute “charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis)”.
- 297 (1) Amend section 716 (transfer of unrealised interest) as follows.
- (2) In subsection (3)—
- (a) for “annual profits or gains” substitute “income”,
 - (b) for “the profits or gains” substitute “the income”,
 - (c) omit “under Case VI of Schedule D”, and
 - (d) for “they are” substitute “it is”.
- (3) After subsection (3) insert—
- “(3A) Income tax chargeable by virtue of subsection (3) shall be charged on the full amount of the income treated as received.
- (3B) The person liable for any tax so charged shall be the person treated as receiving the income.”
- 298 (1) Amend section 720 (transfers of securities: nominees, trustees etc.) as follows.
- (2) In subsection (5)—
- (a) for “Annual profits or gains” substitute “Income”, and
 - (b) for “are treated” substitute “is treated”.
- (3) In subsection (6)—
- (a) in paragraph (a) for “annual profits or gains” substitute “income”,
 - (b) in paragraph (b) for “annual profits or gains or annual profits or gains” substitute “income or income”, and
 - (c) for “Chapters 1A, 1B and 1C of Part XV” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (settlements: amounts treated as income of settlor) and Chapter 1C of Part 15 of this Act (liability of trustees)”.
- (4) In subsection (7) for “Chapters 1A, 1B and 1C of Part XV” substitute “Chapter 5 of Part 5 of ITTOIA 2005 and Chapter 1C of Part 15 of this Act”.
- (5) In subsection (8)(a) for “Chapter 1A of Part XV (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.
- 299 (1) Amend section 723 (foreign securities: delayed remittances) as follows.
- (2) In subsection (2)—
- (a) for “any annual profits or gains” substitute “any income”, and
 - (b) for “the profits or gains” substitute “that income”.
- (3) In subsection (4) for “under Case VI of Schedule D on the amount” substitute “on the full amount”.
- 300 (1) Amend section 730 (transfers of income arising from securities) as follows.
- (2) In subsection (2)—
- (a) after “chargeable to” insert “income tax under Chapter 13 of Part 4 of ITTOIA 2005 or to corporation”, and
 - (b) after “section 18(3B)” insert “of this Act”.

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- (3) In subsection (4)—
- (a) for “tax by virtue of section 18(3B)” substitute “income tax under Chapter 13 of Part 4 of ITTOIA 2005 (sales of foreign dividend coupons)”, and
 - (b) for “then the owner or beneficiary” to the end substitute “then that interest shall be charged to income tax.
- (4A) The income tax chargeable by virtue of subsection (4) above shall, subject to subsection (5) below, be charged on the full amount of the interest arising in the year of assessment.
- (4B) The person liable for any tax chargeable by virtue of subsection (4) above is the owner or beneficiary, but he shall be entitled to credit for any tax which the interest is shown to have borne.”
- (4) In subsection (5)—
- (a) for “For the purposes of subsection (4) above” substitute “But”,
 - (b) for “chargeable under Case IV or V of Schedule D” substitute “relevant foreign income”, and
 - (c) for “the tax under Case VI” substitute “the income tax chargeable by virtue of subsection (4) above”.
- (5) In subsection (8)—
- (a) after “charged to” insert “income tax under Chapter 13 of Part 4 of ITTOIA 2005 or to corporation”, and
 - (b) after “section 18(3B)” insert “of this Act”.
- 301 Omit section 730C (exchanges of gilts: traders etc.).
- 302 In section 731 (application and interpretation of sections 732 to 734: purchase and sale of securities)—
- (a) in subsection (7) after “set up and commenced” insert “, or when a trade is subject to a relevant change,”, and
 - (b) after that subsection insert—
- “(7A) For the purposes of subsection (7) above a trade is subject to a relevant change—
- (a) when there is a change in the persons carrying on the trade which involves all of the persons carrying it on before the change permanently ceasing to carry it on, or
 - (b) when a company starts to be within the charge to income tax under Chapter 2 of Part 2 of ITTOIA 2005 in respect of the trade.”
- 303 In section 732(1A) (dealers in securities) for the words from “by virtue of” to the end substitute “either—
- (a) by virtue of section 366(1) of ITTOIA 2005 in computing profits chargeable to income tax under Chapter 2 of Part 2 of that Act, or
 - (b) by virtue of section 95(1) of this Act in computing profits chargeable to corporation tax in accordance with the provisions of this Act applicable to Case I or II of Schedule D.”
- 304 (1) Amend section 740 (liability of non-transferors) as follows.
- (2) In subsection (2)—

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- (a) in paragraph (a) after “for that year” insert “and be charged to income tax on that individual for that year”, and
 - (b) in paragraph (b) after “his income for the next following year” insert “and be charged to income tax on him for that year”.
 - (3) Omit subsection (4).
 - (4) In subsection (5) for the words from “; and subsections (6) to (9)” to the end substitute “; and sections 833 and 834 of ITTOIA 2005 shall apply for the purposes of this subsection as they would apply for the purposes of section 832 (remittance basis) of that Act if the benefit were relevant foreign income.”
- 305 (1) Amend section 743 (transfer of assets abroad: supplemental provision) as follows.
- (2) In subsection (1) for “Schedule F” substitute “dividend” and for “income tax so chargeable shall be charged” to the end substitute “income to which section 739 applies shall be charged to income tax.”
 - (3) After subsection (1) insert—
 - “(1ZA) The charge to income tax under subsection (1) above operates on income falling within subsection (1A) below by treating the income as if it were income to which section 1A applies by virtue of subsection (2)(b) of that section.”
 - (4) In subsection (1A) for paragraphs (a) to (g) substitute—
 - “(a) income chargeable under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.);
 - (b) income chargeable under Chapter 4 of that Part (dividends from non-UK resident companies);
 - (c) income chargeable under Chapter 5 of that Part (stock dividends from UK resident companies);
 - (d) income chargeable under Chapter 6 of that Part (release of loan to participator in close company); or
 - (e) a relevant foreign distribution chargeable under Chapter 8 of Part 5 of that Act (income not otherwise charged).”
 - (5) After that subsection insert—
 - “(1B) In subsection (1A) “relevant foreign distribution” means any distribution of a company not resident in the United Kingdom which—
 - (a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but
 - (b) would be chargeable under Chapter 3 of that Part if the company were resident in the United Kingdom.”
- 306 In section 745(6) (transfer of assets abroad: information powers) for “section 660G(1) and (2)” substitute “section 620 of ITTOIA 2005”.
- 307 (1) Amend section 746 (persons resident in the Republic of Ireland) as follows.
- (2) Renumber the existing text as subsection (1).
 - (3) In that subsection for “any provision of section 34, 35 or 36” substitute “the lease premium rules”.
 - (4) After that subsection insert—

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- “(2) Corporation tax chargeable by virtue of subsection (1)(b) above shall be charged under Case VI of Schedule D.
- (3) In this section “the lease premium rules” means any provision of sections 277 to 285 of ITTOIA 2005 or sections 34 to 36 of this Act.”
- 308 (1) Amend section 761 (charge to income tax or corporation tax of offshore income gain) as follows.
- (2) In subsection (1) for the words from “of that gain shall be treated for all” to the end substitute “of that gain—
- (a) shall be treated for all the purposes of the Tax Acts as income arising at the time of the disposal to the person making the disposal, and
- (b) shall be charged—
- (i) to income tax for the year of assessment in which the disposal is made, or
- (ii) to corporation tax as a profit or gain under Case VI of Schedule D for the accounting period in which the disposal is made.”
- (3) After that subsection insert—
- “(1A) The income tax charged by virtue of subsection (1)(b)(i) above shall be charged on the full amount of the income treated as arising in the year of assessment.”
- 309 In section 762(6) (offshore income gains accruing to persons resident or domiciled abroad)—
- (a) after “740” insert “above”, and
- (b) for “Part XV” substitute “Chapter 5 of Part 5 of ITTOIA 2005”.
- 310 In section 774(1) (transactions between dealing company and associated company) —
- (a) after “shall be chargeable” insert “to tax”, and
- (b) for “under Case VI of Schedule D” substitute “(in the case of corporation tax, under Case VI of Schedule D)”.
- 311 (1) Amend section 775 (sale by individual of income derived from his personal activities) as follows.
- (2) In subsection (2) omit the words from “, and which is” to the end.
- (3) After subsection (2) insert—
- “(2A) Any such earned income shall be charged to income tax on the individual and the tax so charged shall be charged on the full amount of the earned income treated as arising in the year of assessment.”
- 312 (1) Amend section 776 (transactions in land: taxation of capital gains) as follows.
- (2) In subsection (3)(a) omit the words from “, and which constitutes” to “period in which the gain is realised”.
- (3) After subsection (3) insert—
- “(3A) The gain treated as income shall be charged—

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- (a) to income tax for the year of assessment in which the gain is realised, or
 - (b) to corporation tax as profits or gains under Case VI of Schedule D for the accounting period in which the gain is realised.
- (3B) The income tax charged by virtue of subsection (3A)(a) shall be charged on the full amount of the income treated as arising in the year of assessment; and the person liable for any tax so charged is the person whose income it is.”
- (4) In subsection (6)—
 - (a) in paragraph (a) after “the profits under” insert “Part 2 of ITTOIA 2005 or”, and
 - (b) in paragraph (b) for “subsections (2) and (3) of section 99” substitute “section 158 of ITTOIA 2005 or (as the case may be) subsections (2) and (3) of section 99 above”.
- (5) In subsection (7) after “the treatment under” insert “Part 2 of ITTOIA 2005 or”.
- 313 (1) Amend section 777 (tax avoidance: provisions supplementary to sections 775 and 776) as follows.
 - (2) In subsection (9) after “tax under” insert “Chapter 7 of Part 5 of ITTOIA 2005 (annual payments not otherwise charged) or”.
 - (3) In subsection (10) for “Part XV” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (settlements: amounts treated as income of settlor)”.
- 314 (1) Amend section 779 (sale and lease-back: limitation on tax reliefs) as follows.
 - (2) In subsection (10)—
 - (a) after “include references to” insert “—
 - (a)”,
 - (b) after “section 37” insert “or under section 37A”,
 - (c) after “87” insert “or 87A”,
 - (d) after “comprised in the lease,” insert “and
 - (b) expenses which the tenant under the lease is treated as incurring in respect of the land subject to the lease under sections 61 to 67 or 292 to 297 of ITTOIA 2005,” and
 - (e) at end insert “and such expenses shall be treated for those purposes as having been paid as soon as they have been incurred.”
 - (3) In subsection (13)—
 - (a) after paragraph (a) insert—
 - “(aa) a deduction in calculating the profits of a UK property business;”,
 - (b) in paragraph (c) omit “392 or”, and
 - (c) after that paragraph insert—
 - “(ca) a deduction in computing profits or other income or gains chargeable to income tax under or by virtue of any provision to which section 836B applies, or in computing any loss for which relief is allowable under section 392;”.
 - 315 (1) Amend section 780 (sale and lease-back: taxation of consideration received) as follows.

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- (2) In subsection (3)(b) for “a profit or gain chargeable under Case VI of Schedule D” substitute “an amount chargeable to tax in accordance with subsection (3A)”.
- (3) After subsection (3) insert—
- “(3A) The amount shall be charged—
- (a) to income tax, or
- (b) to corporation tax as a profit or gain under Case VI of Schedule D.
- (3B) The income tax charged by virtue of subsection (3A)(a) above shall be charged on the full amount of the proportion of the consideration concerned arising in the year of assessment; and the person liable for any tax so charged is the lessee.”
- 316 (1) Amend section 781 (assets leased to traders and others) as follows.
- (2) In subsection (1) for “under Case VI of Schedule D for the chargeable period in which the sum is obtained with tax” substitute “to tax (in the case of corporation tax, under Case VI of Schedule D) for the chargeable period in which the sum is obtained”.
- (3) In subsection (4) after paragraph (a) insert—
- “(ab) a deduction in computing profits or other income or gains chargeable to income tax under or by virtue of any provision to which section 836B applies, or in computing any loss for which relief is allowable under section 392;”.
- (4) In subsection (4)(b) omit “392 or”.
- 317 In section 782(9) (leased assets: special cases) for “section 113 or 337(1)” substitute “section 18 of ITTOIA 2005 or section 337(1) above (companies beginning or ceasing to carry on trade)”.
- 318 In section 783(10)(b) (leased assets: supplemental) for “section 660G(1) and (2)” substitute “section 620 of ITTOIA 2005”.
- 319 In section 785 (meaning of “asset”, “capital sum” and “lease” for purposes of sections 781 to 784), in the definition of “capital sum”, after “chargeable” insert “to income tax under or by virtue of any provision to which section 836B applies or to corporation tax”.
- 320 (1) Amend section 786 (transactions associated with loans or credit) as follows.
- (2) In subsection (3) for the words from “annuity” to “Schedule D” substitute “relevant annual payment”.
- (3) After that subsection insert—
- “(3A) In subsection (3) “relevant annual payment” means a payment which is not interest but is—
- (a) an annuity or other annual payment falling within Part 5 of ITTOIA 2005 and chargeable to income tax otherwise than as relevant foreign income; or
- (b) an annuity or other annual payment chargeable to corporation tax under Case III of Schedule D.”
- (4) In subsection (5) for “he shall be chargeable to tax under Case VI of Schedule D on a sum” substitute “he shall be chargeable—

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- (a) to income tax, or
 - (b) to corporation tax under Case VI of Schedule D,
- on a sum”.
- (5) After that subsection insert—
 - “(5A) Income tax charged by virtue of subsection (5)(a) above shall be charged on the full amount of the income assigned, surrendered, waived or forgone in the year of assessment.”
- 321 (1) Amend section 788 (relief by agreement with other territories) as follows.
 - (2) In subsection (3)(d) for “section 231” substitute “section 397(1) of ITTOIA 2005”.
 - (3) In subsection (7) after “and, in the case of an assessment” insert “to corporation tax”.
- 322 In section 790(11) (unilateral relief) after “and, in the case of an assessment” insert “to corporation tax”.
- 323 (1) Amend section 804 (relief against income tax in respect of earlier years of commencement) as follows.
 - (2) In subsections (5)(b) and (5A)(b) for “section 63A(1) or (3)” substitute “section 205 or 220 of ITTOIA 2005”.
 - (3) In subsection (5B)(a)—
 - (a) for “under Case VI of Schedule D” substitute “to income tax”, and
 - (b) after “equal to the excess” insert “and be liable for any tax so chargeable”.
 - (4) In subsection (5C) for “section 63A(1)” substitute “section 220 of ITTOIA 2005”.
 - (5) In subsection (8), in the definition of “overlap profit” for “sections 60 to 62” substitute “Chapter 15 of Part 2 of ITTOIA 2005”.
- 324 In section 806K(2) (application of foreign dividend provisions to branches or agencies in the UK of persons resident elsewhere) after paragraph (b) insert—
 - “(bb) in relation to income tax, take any reference to a dividend chargeable under Case V of Schedule D as a reference to a dividend chargeable under Chapter 4 of Part 4 of ITTOIA 2005;”.
- 325 In section 807(1)(b) (sale of securities with or without accrued interest) for “Case IV or V of Schedule D” substitute “ITTOIA 2005 on relevant foreign income”.
- 326 In section 812(1) (withdrawal of right to tax credit of certain non-resident companies connected with unitary states)—
 - (a) for “section 231(3)” substitute “section 397(2)(a) of ITTOIA 2005”, and
 - (b) for “or, where” substitute “nor, by virtue of section 30(9) of the Finance (No. 2) Act 1997, where”.
- 327 (1) Amend section 817 (deductions not to be allowed in computing profits or gains) as follows.
 - (2) In subsection (1)—
 - (a) before “tax purposes” insert “corporation”, and
 - (b) for “the Tax Acts” substitute “the Corporation Tax Acts”.
 - (3) In subsection (2)—

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- (a) after “profits or gains” insert “for corporation tax purposes”,
 - (b) for “the Tax Acts” substitute “the Corporation Tax Acts”,
 - (c) omit “or employment”, and
 - (d) for “or in any profession, employment or vocation” substitute “or profession”.
- 328 (1) Amend section 818 (arrangements for payments of interest less tax or of fixed net amount) as follows.
- (2) In subsection (2) for the words from “interest”, in the first place where it occurs, to “and” substitute “relevant interest”.
- (3) After subsection (2) insert—
- “(3) In subsection (2) “relevant interest” means—
- (a) interest on which the recipient is chargeable to income tax, which falls within Chapter 2 of Part 4 of ITTOIA 2005 but which is not relevant foreign income, or
 - (b) interest on which the recipient is chargeable to corporation tax under Case III of Schedule D.”
- 329 In section 819(2) (old references to standard rate tax) for “Schedule F”, in both places where it occurs, substitute “dividend”.
- 330 In section 821(1) (under-deductions from payments made before passing of annual Act)—
- (a) after “assessment” insert “or accounting period”,
 - (b) after “quarterly payments” insert “(or half-periodic or quarterly payments)”,
 - (c) after “income” insert “or corporation”,
 - (d) after “year”, in the second and third places where it occurs, insert “or period”,
 - (e) after “charged”, in the fourth place where it occurs, insert “in respect of those payments to income tax under Chapter 2 of Part 4 of ITTOIA 2005 (interest) or shall be charged to corporation tax under”, and
 - (f) omit “in respect of those payments”.
- 331 (1) Section 824 (repayment supplements: individuals and others) is amended as follows.
- (2) In subsection (4A)(b) for “section 231” substitute “section 397(1) of ITTOIA 2005”.
- (3) Omit subsection (8).
- (4) In subsection (9) for “to (8)” substitute “to (7)”.
- 332 In section 827 (VAT penalties etc.)—
- (a) for “for any tax purposes”, in each place where it occurs, substitute “for any corporation tax purposes (but see also subsection (3)(a) below)”,
 - (b) in subsection (2) for “and income tax” substitute “(but see also subsection (3)(b) below)”, and
 - (c) at the end insert—
- “(3) For income tax purposes—

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- (a) provision corresponding to that made by this section (other than subsection (2) above) is made by sections 54 and 869 of ITTOIA 2005, and
- (b) provision corresponding to that made by subsection (2) above is made by section 777 of ITTOIA 2005 (as read with Chapter 10 of Part 6 of that Act).”

333 After section 827 insert—

“827A Territorial scope of charges under certain provisions to which section 836B applies

- (1) This section applies in relation to any amount chargeable to income tax under or by virtue of any provision to which section 836B applies (other than a provision listed in Part 2 of the table in that section).
- (2) An amount arising to a person who is resident in the United Kingdom is chargeable to tax whether or not it is from a source in the United Kingdom.
- (3) An amount arising to a person who is not resident in the United Kingdom is chargeable to tax only if it is from a source in the United Kingdom.
- (4) References in this section to amounts which are from a source in the United Kingdom include, in the case of any amount which does not have a source, references to amounts which have a comparable connection to the United Kingdom.
- (5) This section is subject to any express or implied provision to the contrary in any provision of the Income Tax Acts.
- (6) This section does not apply for the purposes of corporation tax.”

334 (1) Amend section 828 (orders and regulations made by the Treasury or the Board) as follows.

(2) In subsection (4) omit “324.”.

(3) In subsection (5)—

- (a) after “section 717 of ITEPA 2003” insert “or section 873 of ITTOIA 2005”,
- (b) after “under ITEPA 2003” insert “or ITTOIA 2005”, and
- (c) for “that Act” substitute “either of those Acts”.

335 In section 830(3) (territorial sea and designated areas) omit “income tax or”.

336 In section 831(3) (interpretation of ICTA) after the entry relating to “ITEPA 2003” insert—

““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”.

337 In section 832(1) (interpretation of the Tax Acts)—

(a) for the definition of “overseas property business” substitute—

““overseas property business”—

- (a) for the purposes of income tax, has the meaning given by Chapter 2 of Part 3 of ITTOIA 2005;

Status: This is the original version (as it was originally enacted).

- (b) for the purposes of corporation tax, has the meaning given by section 70A(4);”,
- (b) in the appropriate place insert—
- ““relevant foreign income” has the meaning given by subsections (1) to (3) of section 830 of ITTOIA 2005 but also includes, for any purpose mentioned in any provision listed in subsection (4) of that section, income treated as relevant foreign income for that purpose by that provision;”.
- (c) in the definition of “Schedule A business” for “income tax” substitute “corporation tax”,
- (d) in the definitions of “the Schedule F ordinary rate”, “the Schedule F trust rate” and “the Schedule F upper rate” for “Schedule F” substitute “dividend”,
- (e) for the definition of “tax credit” substitute—
- ““tax credit” means—
- (a) a tax credit under section 231 for the purposes of corporation tax; and
- (b) a tax credit under section 397(1) of ITTOIA 2005 for the purposes of income tax;”,
- (f) in the appropriate place insert—
- ““UK property business” has the meaning given by Chapter 2 of Part 3 of ITTOIA 2005;”, and
- (g) omit the definition of “Ulster Savings Certificates”.
- 338 (1) Amend section 833 (interpretation of Income Tax Acts) as follows.
- (2) In subsection (3)—
- (a) for “section 550” substitute “sections 535 to 537 of ITTOIA 2005”, and
- (b) in paragraph (b)—
- (i) for “547(1)(a)” substitute “465 of ITTOIA 2005”, and
- (ii) for “547(5)” substitute “530 of that Act”.
- (3) In subsection (4)—
- (a) for “and” in the first place where it occurs substitute “to”, and
- (b) in paragraph (c) for the words from “under” to “D” substitute “under Part 2 of ITTOIA 2005 (trading income)”.
- (4) In subsection (5) for “income which is earned income by virtue of section 529” substitute “—
- (a) income to which subsection (5A) applies, and
- (b) income to which subsection (5B) applies.”
- (5) After that subsection insert—
- “(5A) This subsection applies to income arising to the individual if—
- (a) it is charged to tax under section 583 of ITTOIA 2005 (income from disposals of know-how), and
- (b) the individual, alone or jointly, devised the know-how in question.
- (5B) This subsection applies to income arising to the individual if—

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- (a) it is patent income, and
- (b) the individual, alone or jointly, devised the invention for which the patent in question was granted.

This is subject to subsection (5C).

(5C) If—

- (a) any part of the rights in respect of the patent, or of any rights out of which they were granted, has at any time belonged to any other person, and
- (b) any part of the income is properly attributable to the rights which have belonged to that other person,

subsection (5B) does not apply to that part of the income (and so it is not earned income).

(5D) In subsection (5B) “patent income” means—

- (a) royalties or other sums paid in respect of the use of a patent charged to tax under section 579 of ITTOIA 2005,
- (b) amounts on which tax is payable under section 587 or 593 of ITTOIA 2005, and
- (c) amounts on which tax is payable under—
 - (i) section 472(5) of the Capital Allowances Act (patent allowances: balancing charges), or
 - (ii) paragraph 100 of Schedule 3 to that Act (balancing charges in respect of pre-1st April 1986 expenditure on the purchase of patent rights).

(5E) References in subsection (5C) to the rights in respect of the patent are to any right to do or authorise the doing of anything which would, but for the right, be an infringement of the patent.”

339 In section 835(6)(a) (“total income” in the Income Tax Acts) for “Schedule F” substitute “Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”.

340 After section 836A insert—

“836B Table of provisions to which this section applies

- (1) In the Tax Acts references to any provision to which this section applies are references to any provision listed in the following table so far as it relates to income tax (but subject to any applicable limitation in subsections (3) to (5)).
- (2) This is the table—

PART 1

<i>Provisions of this Act</i>	<i>Description</i>
Section 214(1)(ab)	Chargeable payments connected with exempt distributions
Section 571(1)	Cancellation of certificates: schemes for rationalising industry

Status: This is the original version (as it was originally enacted).

<i>Provisions of this Act</i>	<i>Description</i>
Section 591C(1)	Cessation of approval (retirement benefits scheme)
Section 598(1)	Repayment of employee's contribution
Section 599(1) or (1B)	Commutation of entire pension in special circumstances
Section 599A(2)	Payment out of surplus funds
Section 601(2) (as read with section 602(1)(a)) or 601(5)	Payments to employers (retirement benefits scheme)
Section 648B(1)	Return of contributions after pension date (approved personal pension scheme)
Section 650A(1)	Withdrawal of approval from arrangements (approved personal pension scheme)
Section 714(2)	Transfer of securities within accrued income scheme with or without accrued interest
Section 716(3)	Transfer of securities with unrealised interest where settlement day follows last interest period
Section 723(4)	Proceeds of transfer of foreign securities within the accrued income scheme ceasing to be unremittable
Section 730(4)	Transfers of income arising from securities
Section 740(2)(a) or (b)	Transfer of assets abroad (liability of non-transferors)
Section 743(1)	Transfer of assets abroad (liability of transferors)
Section 761(1)(b)(i)	Offshore income gains
Section 774(1)	Transactions between dealing company and associated company
Section 775(2A)	Sale by individual of income derived from his personal activities
Section 776(3A)(a)	Transactions in land
Section 780(3A)(a)	Sale and lease-back (taxation of consideration received)
Section 781(1)	Assets leased to traders and others
Section 786(5)(a)	Transactions associated with loans or credit
Section 804(5B)(a)	Double taxation relief

Status: This is the original version (as it was originally enacted).

PART 2

<i>Provisions of ITTOIA 2005</i>	<i>Description</i>
Chapter 18 of Part 2	Post-cessation receipts: trades, professions and vocations
Chapter 8 of Part 3	Rent receivable in connection with a UK section 12(4) concern
Chapter 9 of Part 3	Rent receivable for UK electric-line wayleaves
Chapter 10 of Part 3	Post-cessation receipts: UK property businesses
Chapter 2 of Part 4	Interest
Chapter 9 of Part 4	Gains from contracts for life insurance etc.
Chapter 11 of Part 4	Transactions in deposits
Chapter 12 of Part 4	Disposals of futures and options involving guaranteed returns
Section 579	Royalties and other income from intellectual property
Section 583	Income from disposals of know-how
Section 587	Income from sales of patent rights
Chapter 3 of Part 5	Films and sound recordings: non-trade businesses
Chapter 4 of Part 5	Certain telecommunication rights: non-trading income
Chapter 5 of Part 5	Settlements: amounts treated as income of settlor
Section 682(3)	Adjustments after the administration period
Chapter 8 of Part 5	Income not otherwise charged
Section 844(4)	Withdrawal of relief for unremittable foreign income after source ceases

PART 3

<i>Other provisions</i>	<i>Description</i>
Paragraph 8(2)(b)(i) of Schedule 3 to the Finance Act 1971	Occupational pension schemes (refunds of contributions and commutation payments)
Section 68(2) of the Finance Act 1989	Employee share ownership trust (chargeable event)

Status: This is the original version (as it was originally enacted).

<i>Other provisions</i>	<i>Description</i>
Section 71(4) of the Finance Act 1989	Employee share ownership trust (borrowing)
Paragraph 11(3) of Schedule 20 to the Finance Act 1994	Self-assessment transitional
Section 258(4) of the Capital Allowances Act	Special leasing
Section 479(4) of the Capital Allowances Act	Persons having qualifying non-trade expenditure
Section 394(2) of ITEPA 2003	Charge on administrator of non-approved pension scheme
Section 476(5) of ITEPA 2003	Charge on occurrence of chargeable event
Section 583 of ITEPA 2003	certain pension income (approved retirement benefits schemes: unauthorised payments)
Section 623 of ITEPA 2003	certain pension income (return of surplus employee AVCs)
Section 119(4) of the Finance Act 2004	Individuals benefited by film relief
Section 127(2) of the Finance Act 2004	Losses derived from exploiting licence: individuals in partnership

(3) For the purposes of this section the reference to section 743 of this Act does not include that section so far as relating to income falling within subsection (1A) of that section.

(4) For the purposes of this section—

- (a) any reference to any provision of ITTOIA 2005 does not include that provision so far as relating to relevant foreign income,
- (b) the reference to Chapter 2 of Part 4 of ITTOIA 2005 is a reference to that Chapter only so far as relating to interest falling within section 582(2)(b)(ii) of this Act (funding bonds issued in respect of interest on certain debts),
- (c) the reference to Chapter 9 of Part 4 of ITTOIA 2005 is a reference to that Chapter only so far as relating to gains—
 - (i) which are from a policy or contract specified in section 531(3) of that Act, and
 - (ii) which do not fall within section 532 or 534 of that Act,
- (d) the reference to section 579 of ITTOIA 2005 does not include that section so far as relating to any annual payment,
- (e) the reference to Chapter 4 of Part 5 of ITTOIA 2005 does not include that Chapter so far as relating to any annual payment, and
- (f) the reference to Chapter 5 of Part 5 of ITTOIA 2005 does not include that Chapter so far as relating to income which falls within section 619(3) of that Act.

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- (5) For the purposes of this section the reference to section 583 of ITEPA 2003 is a reference to that section only where the paying scheme (see subsection (3) of that section) is a pilots' benefit fund (see section 587 of that Act)."
- 341 In section 839(3) (connected persons) for "Chapter 1A of Part XV (see section 660G(1) and (2))" substitute "Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)".
- 342 Omit Schedule 4A (creative artists: relief for fluctuating profits).
- 343 (1) Amend Schedule 5 (treatment of farm animals etc for the purposes of Case I of Schedule D) as follows.
- (2) In paragraph 1—
- (a) after "profits" insert "chargeable to corporation tax", and
 - (b) for "his" substitute "its".
- (3) In paragraph 2—
- (a) in sub-paragraph (1) for "he" substitute "the farmer",
 - (b) omit sub-paragraphs (3)(a), (4)(a) and (5), and
 - (c) in sub-paragraph (6), omit the definitions of "commencement year" and "qualifying year of assessment".
- (4) In paragraph 3—
- (a) in sub-paragraph (1) after "profits" insert "chargeable to corporation tax",
 - (b) in sub-paragraph (3)(b) for "him" substitute "the farmer",
 - (c) in sub-paragraph (9)(a) for "his" substitute "the seller's", and
 - (d) in sub-paragraph (10)(b) for "him" substitute "the farmer".
- (5) In paragraph 4—
- (a) for "him" substitute "the farmer", and
 - (b) for "he" substitute "the farmer".
- (6) In paragraph 5(1) after "profits" insert "chargeable to corporation tax".
- (7) In paragraph 6—
- (a) in sub-paragraph (1)—
 - (i) for "his" substitute "its", and
 - (ii) for "him" substitute "the farmer",
 - (b) omit sub-paragraphs (2)(a), and (3)(a), and
 - (c) in sub-paragraph (4), omit the definition of "qualifying year of assessment".
- (8) In paragraph 8—
- (a) for "him", in each place it occurs, substitute "the farmer",
 - (b) in sub-paragraph (7)—
 - (i) before "tax" insert "corporation", and
 - (ii) for "chargeable period" substitute "accounting period".
- (9) In paragraph 11 for "chargeable period" substitute "accounting period".
- 344 Omit Schedule 5AA (guaranteed returns on transactions in futures and options).
- 345 Omit Schedule 15A (contractual savings schemes).

Status: This is the original version (as it was originally enacted).

- 346 (1) Amend Schedule 15B (venture capital trusts: relief from income tax) as follows.
- (2) In paragraph 4(1) and (2) omit “under Case VI of Schedule D”.
- (3) Omit paragraphs 7 to 9.
- 347 (1) Amend Schedule 20 (charities: qualifying investments and loans) as follows.
- (2) After paragraph 7 insert—
- “7A Uncertificated eligible debt security units as defined in section 552(2) of ITTOIA 2005.”
- (3) In paragraph 8 for “section 56(5)” substitute “for corporation tax purposes in section 56(5) above and for income tax purposes in section 552(2) of ITTOIA 2005”.
- 348 (1) Amend Schedule 22 (reduction of pension fund surpluses) as follows.
- (2) In paragraph 7(3)(c) for the words from “section 56” to “that section” substitute “section 551 of ITTOIA 2005 shall by virtue of section 56(3)(b) of this Act”.
- (3) After paragraph 7 insert—
- “7A (1) This paragraph applies if a calculation falls to be made under paragraph 7 above in a case where—
- (a) relief is to be given under section 454 of ITTOIA 2005 (listed deeply discounted securities held since 26th March 2003: relief for losses) in respect of a loss sustained on the disposal of securities, and
- (b) had there been a profit on the disposal it would have been eligible for relief from tax for the year of assessment in which the loss is sustained by virtue of section 592(2).
- (2) That relief is to be given before the calculation under paragraph 7 above is made.
- (3) Then the amount of income to which the specified percentage is applied by virtue of sub-paragraph (3)(a) of that paragraph is reduced by the amount of that relief.
- (4) In this paragraph “disposal” has the same meaning as in Chapter 8 of Part 4 of ITTOIA 2005.”
- 349 In paragraph 11A(4) of Schedule 24 (assumptions for calculating chargeable profits etc. of foreign companies) after “the Capital Allowances Act” insert “or section 48 of ITTOIA 2005”.
- 350 (1) Amend Schedule 27 (distributing funds) as follows.
- (2) In paragraph 1(1)(d) after “under” insert “—
- (i) Chapter 4 of Part 4 of ITTOIA 2005 (dividends from non-UK resident companies),
- (ii) Chapter 8 of Part 5 of that Act (income not otherwise charged) so far as it relates to relevant foreign distributions (within the meaning given by section 1A(8) of this Act), or
- (iii)”.
- (3) In paragraph 3(1)(a)(i)—

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- (a) omit “Case IV or”, and
 - (b) after “Schedule D” insert “, or under ITTOIA 2005 on relevant foreign income.”.
- (4) In paragraph 5(5) after “1996” insert “or section 714 or 715 of ITTOIA 2005”.
- 351 (1) Amend Schedule 28AA (provision not at arm’s length) as follows.
- (2) In paragraph 6A(3) for “(valuation of trading stock at discontinuance of trade) (see subsection (2) of that section)” substitute “above (see subsection (2) of that section) or Chapter 12 of Part 2 of ITTOIA 2005 (see section 174 of that Act) (valuation of trading stock at discontinuance of trade)”.
 - (3) In paragraph 6E after “Schedule D” insert “or Chapter 2 of Part 4 of ITTOIA 2005”.
 - (4) In paragraph 11(1) after “section 492(1)” insert “above or section 16(1) of ITTOIA 2005”.
- 352 (1) Amend Schedule 30 (transitional provisions and savings) as follows.
- (2) In paragraph 5—
 - (a) in sub-paragraph (6) omit paragraph (b) and the word “or” before it,
 - (b) in sub-paragraph (8) omit “section 113 of this Act or”,
 - (c) in sub-paragraph (11) omit “or vocation”, and
 - (d) after sub-paragraph (12) insert—

“(13) This paragraph does not apply for the purposes of income tax.”
 - (3) Omit paragraphs 18 and 18A.

PART 2

OTHER ENACTMENTS

Finance Act 1950 (c. 15)

- 353 The Finance Act 1950 is amended as follows.
- 354 In section 40(3) (modification of section 39 in case of recoveries by assignees and in certain cases of subsidiary companies)—
- (a) omit “by the Special Commissioners under Case VI of Schedule D”, and
 - (b) omit “under that Case”.

Chevening Estate Act 1959 (c. 49)

- 355 The Chevening Estate Act 1959 is amended as follows.
- 356 (1) Amend section 2 (provisions as to income tax, estate duty and stamp duty) as follows.
- (2) In subsection (1)—
 - (a) omit paragraph (a),
 - (b) in paragraph (b) for “Schedule D” substitute “Part 3 of the Income Tax (Trading and Other Income) Act 2005”, and
 - (c) in paragraph (c) for the words from “Schedule C” to “annual payment” substitute “the provisions of the Income Tax (Trading and Other Income)

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Act 2005 specified in subsection (1A) in respect of the income chargeable under those provisions”.

(3) After subsection (1) insert—

“(1A) The provisions are—

- (a) Chapter 2 of Part 4 (interest) so far as the income is yearly interest or public revenue dividends (as defined in section 505(1A) of the Income and Corporation Taxes Act 1988),
- (b) Chapter 7 of that Part (purchased life annuity payments),
- (c) Chapter 10 of that Part (distributions from unauthorised unit trusts),
- (d) Chapter 13 of that Part (sales of foreign dividend coupons) so far as the income arises from foreign holdings within section 571(1)(a) (meaning of “foreign holdings” in that Chapter),
- (e) Chapter 2 of Part 5, so far as it relates to annual payments (receipts from intellectual property),
- (f) Chapter 4 of that Part, so far as it relates to annual payments (certain telecommunication rights: non-trading income), and
- (g) Chapter 7 of that Part (annual payments not otherwise charged).”

Taxes Management Act 1970 (c. 9)

357 The Taxes Management Act 1970 is amended as follows.

358 (1) Amend section 7 (notice of liability to income tax and capital gains tax) as follows.

(2) In subsection (6)—

- (a) in paragraph (c) for “Schedule F” substitute “Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”, and
- (b) for “Schedule F”, in the second place where it occurs, substitute “dividend”.

(3) In subsection (9) in each of paragraphs (a) and (aa) for “Chapter II of Part XIII of the principal Act” substitute “Chapter 9 of Part 4 of ITTOIA 2005”.

359 In section 8(1AA)(b) (personal returns) for “section 231 of the principal Act” substitute “section 397(1) of ITTOIA 2005”.

360 In section 8A(1AA)(b) (trustee’s returns) for “section 231 of the principal Act” substitute “section 397(1) of ITTOIA 2005”.

361 In section 9(1) (returns to include self-assessment)—

- (a) in paragraph (b) for “section 231 of the principal Act” substitute “section 397(1) of ITTOIA 2005”,
- (b) omit “233(1),” and “, 249(4), 421(1) or 547(5)”, and
- (c) for “or section 626 of ITEPA 2003” substitute “, section 626 of ITEPA 2003 or section 399(2), 400(2), 414(1), 421(1) or 530(1) of ITTOIA 2005”.

362 Omit section 9D (choice between different Cases of Schedule D).

363 In section 12AA(1A)(b) (partnership returns) for “section 231 of the principal Act” substitute “section 397(1) of ITTOIA 2005”.

364 In section 12AB(5) (partnership return to include partnership statement) in the definition of “tax credit” after “applies” insert “in the case of corporation tax and section 397(1) of ITTOIA 2005 applies in the case of income tax”.

- 365 In section 12AE(2) (choice between different Cases of Schedule D) omit paragraph (a).
- 366 (1) Amend section 18 (interest paid without deduction of income tax) as follows.
- (2) In subsection (3E)(b) for “relevant” substitute “deeply”.
- (3) For subsection (3F) substitute—
- “(3F) In subsection (3E)(b) above “deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) (see section 430 of that Act).”
- 367 (1) Amend section 19 (information for purposes of Schedule A) as follows.
- (2) In subsection (1) after “profits or gains chargeable to tax” insert “under Chapter 3 of Part 3 of ITTOIA 2005 as the profits of a UK property business or”.
- (3) In the side-note after “for purposes of” insert “charge on profits of UK property businesses or under”.
- 368 In section 27(2) (settled property) for “section 660G(1) and (2) of the principal Act” substitute “section 620 of ITTOIA 2005”.
- 369 In section 30 (recovery of overpayment of tax, etc.) omit subsection (4).
- 370 In section 30A(2) (assessing procedure) for “Schedule” substitute “Part or Chapter of ITEPA 2003 or ITTOIA 2005”.
- 371 In section 31(3) (appeals: right of appeal) omit “9D or”.
- 372 In section 42(7) (procedure for making claims etc.) omit the “and” before paragraph (d) and after that paragraph insert “and
- (e) sections 111(1), 126(2), 129(2), 143, 185, 194 and 326 of ITTOIA 2005.”
- 373 (1) Amend section 46B (questions to be determined by Special Commissioners) as follows.
- (2) In subsection (4)—
- (a) omit “of the principal Act”,
- (b) in paragraph (a) for “Chapter 1A or 1B of Part XV” substitute “Chapter 5 of Part 5 of ITTOIA 2005”,
- (c) omit paragraph (b),
- (d) in paragraph (c) after “743(1)” insert “of the principal Act”, and
- (e) in paragraph (d) after “747(4)(a)” insert “of that Act”.
- (3) After subsection (4) insert—
- “(4A) Any question as to the application of—
- (a) Part XVI of the principal Act (administration of estates: corporation tax), or
- (b) Chapter 6 of Part 5 of ITTOIA 2005 (administration of estates: income tax),
- is a question to be determined by the Special Commissioners.”
- (4) In subsection (5) after paragraph (c) insert “or
- (d) section 874 of ITTOIA 2005.”

Status: This is the original version (as it was originally enacted).

- 374 In section 46C (jurisdiction of Special Commissioners over certain claims included in returns) omit subsection (3)(a).
- 375 In section 58(3)(b) (proceedings in tax cases in Northern Ireland) before “section 11 of or paragraph 22” insert “section 186 of ITTOIA 2005.”.
- 376 In section 59A(8)(b) (payments on account of income tax) for “section 231 of the principal Act” substitute “section 397(1) of ITTOIA 2005”.
- 377 (1) Amend section 59B (payment of income tax and capital gains tax) as follows.
- (2) In subsection (1)—
- (a) omit “233(1),” and “, 249(4), 421(1) or 547(5)”, and
- (b) for “or section 626 of ITEPA 2003” substitute “, section 626 of ITEPA 2003 or section 399(2), 400(2), 414(1), 421(1) or 530(1) of ITTOIA 2005”.
- (3) In subsection (2)(b) (payment of income tax and capital gains tax) for “section 231 of that Act” substitute “section 397(1) of ITTOIA 2005”.
- 378 In section 90(1)(b) (disallowance of relief for interest on tax) for “any tax purposes” substitute “any corporation tax purpose (but see also sections 54 and 869 of ITTOIA 2005 for corresponding rule for income tax purposes)”.
- 379 (1) Amend section 98 (special returns, etc) as follows.
- (2) In subsection (4DA)(c) for “section 98 of the Finance Act 2004” substitute “section 758 of ITTOIA 2005”.
- (3) In the first column of the Table—
- (a) omit the entry relating to regulations under section 326C of ICTA,
- (b) omit the entry relating to section 660F of ICTA, and
- (c) at the end insert—
- “Section 75(5) of ITTOIA 2005.
Section 128 of ITTOIA 2005
Section 305 of ITTOIA 2005.
Section 647 of ITTOIA 2005.
Regulations under Chapter 3 of Part 6 of ITTOIA 2005.”
- (4) In the second column of the Table—
- (a) omit the entry relating to regulations under section 326C of ICTA, and
- (b) at the end insert—
- “Section 75(4) of ITTOIA 2005.
Regulations under Chapter 3 of Part 6 of ITTOIA 2005.”
- 380 In section 118(1) (interpretation) after the definition of “ITEPA 2003” insert—
- ““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005.”.
- 381 In Schedule 1A (claims etc. not included in returns), in paragraph 10(b), for “(administration of estates)” substitute “(administration of estates: corporation tax) or Chapter 6 of Part 5 of ITTOIA 2005 (administration of estates: income tax)”.
- 382 (1) Amend Schedule 1B (claims for relief involving two or more years) as follows.
- (2) In paragraph 1—

Status: This is the original version (as it was originally enacted).

- (a) in sub-paragraph (2) for the words from “are any of the following” to “and the same” substitute “is a claim to which this Schedule applies and the same”, and
 - (b) in sub-paragraph (3) for “includes—” to the end substitute “includes a reference to amendments and revocations to which paragraph 4 below applies.”
- (3) In paragraph 3(1)—
- (a) for “a trade of farming or market gardening claims that subsection (2) or (3) of section 96 of the principal Act” substitute “a qualifying trade, profession or vocation (within the meaning of Chapter 16 of Part 2 of ITTOIA 2005) claims that Chapter 16 of Part 2 of ITTOIA 2005”, and
 - (b) after “that trade” insert “, profession or vocation”.
- (4) In paragraph 4(1)—
- (a) in paragraph (a) for “claims that subsection (2) or (3) of section 96 of the principal Act” substitute “claims that Chapter 16 of Part 2 of ITTOIA 2005”, and
 - (b) in paragraph (b) for “subsection (9) of that section” substitute “section 224(4) of that Act”.
- (5) In the italic cross-heading before paragraph 4 for “*section 96(9)*” substitute “*section 224(4) of ITTOIA 2005*”.
- (6) In paragraph 5—
- (a) in sub-paragraph (1)—
 - (i) for “section 108 of the principal Act” substitute “section 257 of ITTOIA 2005”, and
 - (ii) for the words from “the date” to “change of basis took place” substitute “the date of the cessation”, and
 - (b) in sub-paragraph (5) for “section 105 of the principal Act” substitute “section 254 of ITTOIA 2005”.
- 383 In paragraph 10 of Schedule 3 (rules for assigning proceedings to General Commissioners) after “of the principal Act” insert “, section 186 of ITTOIA 2005”.
- 384 In paragraph 2(4) of Schedule 3A (electronic lodgement of tax returns, etc.) after “ITEPA 2003” insert “or ITTOIA 2005”.

Finance Act 1971 (c. 68)

- 385 The Finance Act 1971 is amended as follows.
- 386 In paragraph 8(2)(b) of Schedule 3 (taxation of refunds of contributions and certain other payments) for “to tax on the amount of the payment under Case VI of Schedule D” substitute “—
- (i) to income tax on the full amount of the payment arising in the year of assessment; or
 - (ii) to corporation tax on the amount of the payment under Case VI of Schedule D”.

Finance Act 1973 (c. 51)

- 387 The Finance Act 1973 is amended as follows.

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- 388 In Schedule 15 (territorial extension of charge to tax: supplementary provisions), in paragraphs 2(a) and 4(1), for “or section 830 of the Taxes Act 1988” substitute “, section 830 of the Taxes Act 1988 or section 874 of the Income Tax (Trading and Other Income) Act 2005”.

Biological Standards Act 1975 (c. 4)

- 389 The Biological Standards Act 1975 is amended as follows.
- 390 (1) Amend section 2 (exemption of the National Biological Standards Board from income tax and corporation tax) as follows.
- (2) In subsection (4)—
- (a) for paragraph (a) substitute—
- “(a) under Chapter 3 of Part 3 of the Income Tax (Trading and Other Income) Act 2005 (“ITTOIA 2005”) in respect of the profits of a UK property business or under Schedule A;”,
- (b) in paragraph (b) at the beginning insert “under the provisions of ITTOIA 2005 specified in subsection (4A) in respect of the income charged under those provisions received by the Board or”, and
- (c) in paragraph (c) for “under Schedule F” substitute “under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”.
- (3) After that subsection insert—
- “(4A) The provisions are—
- (a) Chapter 2 of Part 4 (interest) so far as the income is yearly interest or public revenue dividends (as defined in section 505(1A) of the Income and Corporation Taxes Act 1988),
- (b) Chapter 7 of that Part (purchased life annuity payments),
- (c) Chapter 10 of that Part (distributions from unauthorised unit trusts),
- (d) Chapter 13 of that Part (sales of foreign dividend coupons) so far as the income arises from foreign holdings within section 571(1)(a) (meaning of “foreign holdings” in that Chapter),
- (e) Chapter 2 of Part 5, so far as it relates to annual payments (receipts from intellectual property),
- (f) Chapter 4 of that Part, so far as it relates to annual payments (certain telecommunication rights: non-trading income), and
- (g) Chapter 7 of that Part (annual payments not otherwise charged).”

Oil Taxation Act 1975 (c. 22)

- 391 The Oil Taxation Act 1975 is amended as follows.
- 392 In section 3(2) (allowance of expenditure (other than expenditure on long-term assets and abortive exploration expenditure))—
- (a) in the first sentence—
- (i) after “section 579 of the Taxes Act” insert “or under section 77 of the Income Tax (Trading and Other Income) Act 2005 (“ITTOIA 2005”)”,
- (ii) after “under that subsection” insert “or that section”, and

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- (iii) omit “less the amount of the rebate recoverable (within the meaning of that subsection)”, and
- (b) in the second sentence—
 - (i) after “section 492 of the Taxes Act” insert “or by virtue of section 16 of ITTOIA 2005”,
 - (ii) after “paragraph (a) or (b) of that subsection” insert “or within the definition of “oil-related activities” in section 16(2) of ITTOIA 2005”, and
 - (iii) after “if that subsection” insert “or section”.

Inheritance Tax Act 1984 (c. 51)

- 393 The Inheritance Tax Act 1984 is amended as follows.
- 394 In section 6(3) (excluded property), in paragraph (e)—
- (a) for “certified contractual savings scheme” substitute “certified SAYE savings arrangement”, and
 - (b) for “section 326 of the Taxes Act 1988” substitute “section 703(1) of the Income Tax (Trading and Other Income) Act 2005”.
- 395 In section 21(3) (normal expenditure out of income)—
- (a) for “section 657 of the Taxes Act 1988” substitute “section 423 of the Income Tax (Trading and Other Income) Act 2005”, and
 - (b) for “, for the purposes” to “annuity” substitute “exempt from income tax under section 717 of that Act”.
- 396 In section 174(1) (liabilities for which allowance is to be made in determining the value of an estate) in paragraph (b)—
- (a) for “Schedule 13 to the Finance Act 1996 (discounted securities)” substitute “Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (deeply discounted securities)”, and
 - (b) for “paragraph 4(2) of that Schedule” substitute “section 437(2) of that Act”.

Films Act 1985 (c. 21)

- 397 The Films Act 1985 is amended as follows.
- 398 In section 6(1) (certification of master negatives, tapes and discs) after “1992” insert “or Chapter 9 of Part 2 of the Income Tax (Trading and Other Income) Act 2005”.
- 399 (1) Amend Schedule 1 (certification in case of British films) as follows.
- (2) In paragraph 2(1) (applications for certification of master negatives, tapes or discs) after “1992” insert “, or Chapter 9 of Part 2 of the Income Tax (Trading and Other Income) Act 2005”.
 - (3) In paragraph 3(1) (certification by Secretary of State of master negatives, tapes or discs) at the end insert “or, as the case may be, Chapter 9 of Part 2 of the Income Tax (Trading and Other Income) Act 2005”.

Finance Act 1988 (c. 39)

- 400 The Finance Act 1988 is amended as follows.

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- 401 (1) Amend section 38 (maintenance payments under existing obligations: 1989-90 onwards) as follows.
- (2) In subsection (1) for paragraph (c) substitute—
- “(c) is (apart from this section) within a charge to tax under Chapter 7 of Part 5 of the Income Tax (Trading and Other Income) Act 2005 (annual payments not otherwise charged) and is not, by virtue of Chapter 5 of that Part (settlements), treated for any purpose as the income of the person making it.”
- (3) In subsection (9) for the words from “65(1)(b)” to “1988” substitute “839 of the Income Tax (Trading and Other Income) Act 2005 (annual payments payable out of relevant foreign income)”.
- 402 In section 73(2) (consideration for certain restrictive undertakings)—
- (a) for “person” substitute “company”, and
- (b) for “tax” substitute “corporation tax”.
- 403 In Schedule 6 (commercial woodlands) in paragraph 3(2) for “person” substitute “company”.
- 404 In Schedule 12 (building societies: change of status) for paragraph 7 substitute—

“Certified SAYE savings arrangements

- 7 Section 702 of the Income Tax (Trading and Other Income) Act 2005 (interest under certified SAYE savings arrangements to be exempt from income tax) shall have effect in relation to any interest (or bonus) payable after the transfer under a savings arrangement which immediately before the transfer was a certified SAYE savings arrangement (within the meaning of section 703(1) of that Act) in relation to the society despite the fact that it ceased to be such an arrangement by reason of the transfer.”

Water Act 1989 (c. 15)

- 405 In section 95(11) of the Water Act 1989 (vesting in successor company of liability for loans not to affect directions by the Treasury under section 581 of ICTA) for “section 581 of the Income and Corporation Taxes Act 1988” substitute “section 755 of the Income Tax (Trading and Other Income) Act 2005”.

Finance Act 1989 (c. 26)

- 406 The Finance Act 1989 is amended as follows.
- 407 In section 68(2) (principal charges to tax: employee share ownership trusts)—
- (a) in paragraph (a) for “annual profits or gains whose amount” substitute “income of an amount that”, and
- (b) for paragraph (b) and the word “and” at the end of it substitute—
- “(b) that income shall be chargeable to income tax for the year of assessment in which the event occurs,
- (ba) the tax so chargeable shall be charged on the full amount of the income the trustees are treated as receiving in the year of assessment,

- (bb) the trustees are liable for any tax so chargeable, and”.
- 408 In section 71(4) (further charges to tax: borrowing)—
- (a) in paragraph (a) for “annual profits or gains whose amount” substitute “income of an amount that”, and
 - (b) for paragraph (b) and the word “and” at the end of it substitute—
 - “(b) that income shall be chargeable to income tax for the year of assessment at the end of which the further event occurs,
 - (ba) the tax so chargeable shall be charged on the full amount of the income the trustees are treated as receiving in the year of assessment,
 - (bb) the trustees are liable for any tax so chargeable, and”.
- 409 (1) Amend section 76 (non-approved retirement benefits schemes) as follows.
- (2) In subsection (1) after “Schedule D” insert “or under Part 2 of the Income Tax (Trading and Other Income) Act 2005”.
 - (3) In subsection (4)(a) after “Schedule D” insert “or under Part 2 of the Income Tax (Trading and Other Income) Act 2005”.
 - (4) In subsection (6C)(a) omit “of the Taxes Act 1988”.
- 410 Omit sections 112 and 113 (security: trades etc.).
- 411 In section 151(2) (assessment of trustees etc) in each of paragraphs (a) and (b) for “Chapter II of Part XIII of the Taxes Act 1988” substitute “Chapter 9 of Part 4 of the Income Tax (Trading and Other Income) Act 2005”.
- 412 In paragraph 1 of Schedule 12 (close companies: administrative provisions)—
- (a) omit the word “and” at the end of paragraph (a), and
 - (b) after paragraph (b) insert—
 - “(c) section 397 of the Income Tax (Trading and Other Income) Act 2005, and
 - (d) Chapter 6 of Part 4 of that Act.”

Electricity Act 1989 (c. 29)

- 413 In paragraph 10 of Schedule 11 to the Electricity Act 1989 (vesting in successor company of liability for loans not to affect directions by the Treasury under section 581 of ICTA) for “section 581 of the 1988 Act” substitute “section 755 of the Income Tax (Trading and Other Income) Act 2005”.

Finance Act 1990 (c. 29)

- 414 The Finance Act 1990 is amended as follows.
- 415 (1) Amend section 25 (donations to charity by individuals) as follows.
- (2) In subsection (6) for “section 550(2)(a) or (b) of that Act (relief where gain charged at higher rate)” substitute “sections 535 to 537 of the Income Tax (Trading and Other Income) Act 2005 (top slicing relief)”.
 - (3) In subsection (9)—
 - (a) for paragraph (b) substitute—

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- “(b) any tax treated as having been paid under—
- (i) section 399(2) or 400(2) of the Income Tax (Trading and Other Income) Act 2005 (distributions from UK resident companies etc. on which there is no tax credit);
 - (ii) section 414(1) of that Act (stock dividend income);
 - (iii) section 421(1) of that Act (release of loan to participator in close company); or
 - (iv) section 530(1) of that Act (gains from contracts for life insurance etc);”
- (b) in paragraph (c) for “of that Act” substitute “of the Taxes Act 1988”,
 - (c) in paragraph (e) omit sub-paragraph (i) and the word “or” at the end of that sub-paragraph, and
 - (d) in paragraph (e)(ii) for the words from “a relevant amount” to “Schedule F” substitute “estate income under section 656(3) or 657(4) of the Income Tax (Trading and Other Income) Act 2005, so far as that income is treated under section 679 of that Act as paid from sums within section 680(3)(b) or (4) of that Act”.
- 416 (1) Amend section 126 (pools payments for football ground improvements) as follows.
- (2) In subsection (2)—
 - (a) for “person” substitute “company”, and
 - (b) for “tax purposes” substitute “corporation tax purposes”.
 - (3) In subsection (3) after “not” insert “, for corporation tax purposes,”.
 - (4) In subsection (4) after “2001” insert “(general rule excluding contributions: income and corporation tax)”.

Finance Act 1991 (c. 31)

- 417 The Finance Act 1991 is amended as follows.
- 418 (1) Amend section 121 (pools payments to support games etc.) as follows.
- (2) In subsection (2)—
 - (a) for “person” substitute “company”, and
 - (b) for “tax purposes” substitute “corporation tax purposes”.
 - (3) In subsection (3) after “not” insert “, for corporation tax purposes,”.

Social Security Contributions and Benefits Act 1992 (c. 4)

- 419 The Social Security Contributions and Benefits Act 1992 is amended as follows.
- 420 (1) Amend section 15 (Class 4 contributions recoverable under the Income Tax Acts) as follows.
- (2) In subsection (1)—
 - (a) for “annual profits or gains” substitute “profits”,
 - (b) omit the “and” at the end of paragraph (a),
 - (c) in paragraph (b) for “are profits or gains chargeable to income tax under Case I or Case II of Schedule D” substitute “are profits chargeable to income tax

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- under Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005”, and
- (d) at the end of that paragraph insert “and
- (c) are not profits of a trade, profession or vocation carried on wholly outside the United Kingdom.”
- (3) In subsections (2), (3) and (3A) omit “or gains” in each place where they occur.
- (4) Omit subsection (4).
- 421 In section 16(1) (application of Income Tax Acts and destination of Class 4 contributions) for “Case I or II of Schedule D” substitute “Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005 in respect of the profits of a trade, profession or vocation which is not carried on wholly outside the United Kingdom”.
- 422 (1) Amend Schedule 2 (levy of Class 4 contributions with income tax) as follows.
- (2) In paragraph 1 after paragraph (a) insert—
- “(ab) “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”.
- (3) In paragraph 2 for “profits or gains” to the end substitute “profits—
- (a) which are the profits of any relevant trade, profession or vocation which is not carried on wholly outside the United Kingdom, and
- (b) which are chargeable to income tax under Chapter 2 of Part 2 of ITTOIA 2005.”
- (4) In paragraphs 3(1), (4) and (5) and 4 omit “or gains” in each place where they occur.
- (5) In paragraph 5—
- (a) in paragraph (a) omit “or gains”, and
- (b) in paragraph (b)—
- (i) for “section 59 of the 1988 Act” substitute “section 8 of ITTOIA 2005”, and
- (ii) omit “or gains”.
- (6) In paragraph 7 omit “or gains”.

Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7)

- 423 The Social Security Contributions and Benefits (Northern Ireland) Act 1992 is amended as follows.
- 424 (1) Amend section 15 (Class 4 contributions recoverable under the Income Tax Acts) as follows.
- (2) In subsection (1)—
- (a) for “annual profits or gains” substitute “profits”,
- (b) omit the “and” at the end of paragraph (a),
- (c) in paragraph (b) for “are profits or gains chargeable to income tax under Case I or Case II of Schedule D” substitute “are profits chargeable to income tax under Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005”, and
- (d) at the end of that paragraph insert “and

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- (c) are not profits of a trade, profession or vocation carried on wholly outside the United Kingdom.”
- (3) In subsections (2), (3) and (3A) omit “or gains” in each place where they occur.
- (4) Omit subsection (4).
- 425 (1) Amend Schedule 2 (Schedule 2 to the Social Security Contributions and Benefits Act 1992: levy of Class 4 contributions with income tax) as follows.
 - (2) In paragraph 1 after paragraph (a) insert—
 - “(ab) “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”.
 - (3) In paragraph 2 for “profits or gains” to the end substitute “profits—
 - (a) which are the profits of any relevant trade, profession or vocation which is not carried on wholly outside the United Kingdom, and
 - (b) which are chargeable to income tax under Chapter 2 of Part 2 of ITTOIA 2005.”
 - (4) In paragraphs 3(1), (4) and (5) and 4 omit “or gains” in each place where they occur.
 - (5) In paragraph 5—
 - (a) in paragraph (a) omit “or gains”, and
 - (b) in paragraph (b)—
 - (i) for “section 59 of the 1988 Act” substitute “section 8 of ITTOIA 2005”, and
 - (ii) omit “or gains”.
 - (6) In paragraph 7 omit “or gains”.

Taxation of Chargeable Gains Act 1992 (c. 12)

- 426 The Taxation of Chargeable Gains Act 1992 is amended as follows.
- 427 In section 4(2) and (3) (rates of capital gains tax) for “Schedule F” substitute “dividend”.
- 428 (1) Amend section 6 (rates of capital gains tax: special cases) as follows.
 - (2) In subsection (2)—
 - (a) in paragraph (a)—
 - (i) for “549(2) of the Taxes Act (gains under life policy or life annuity contract)” substitute “539 of ITTOIA 2005 (gains from contracts for life insurance etc)”, and
 - (ii) for “excess” substitute “extra”, and
 - (b) in paragraph (c), for “699(1) of that Act (income accruing before death)” substitute “669(1) and (2) of ITTOIA 2005 (reduction in residuary income: inheritance tax on accrued income)”.
 - (3) In subsection (3)—
 - (a) for “547(1)(a) of the Taxes Act (gains from insurance policies etc)” substitute “465 of ITTOIA 2005 (gains from contracts for life insurance etc)”,
 - (b) in paragraph (a) for “appropriate fraction within the meaning of section 550(3)” substitute “annual equivalent within the meaning of

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- section 536(1) of that Act or (as the case may be) the total annual equivalent within the meaning of section 537”, and
- (c) in paragraph (b)—
- (i) for “550” substitute “535”,
 - (ii) for “required by section 550(2)(b)” substitute “under section 536(1) of that Act or (as the case may be) section 537 of that Act”, and
 - (iii) for “Schedule F” substitute “dividend”.
- 429 In section 12(2) (foreign assets of person with foreign domicile) for the words from “, and subsections (6) to (9)” to the end substitute “, and sections 833 and 834 of ITTOIA 2005 shall apply as they would apply for the purposes of section 832 of that Act (remittance basis) if the gain were relevant foreign income.”
- 430 In section 41(4) (restriction of losses by reference to capital allowances and renewals allowances)—
- (a) in paragraph (b) after “Taxes Act” insert “or any deduction under section 315 of ITTOIA 2005”, and
 - (b) in paragraph (c) after “Taxes Act” insert “or section 170 of ITTOIA 2005”.
- 431 (1) Amend section 59 (partnerships) as follows.
- (2) Renumber the existing text as subsection (1).
- (3) After that subsection insert—
- “(2) Subsection (3) applies if—
- (a) a person resident in the United Kingdom (“the resident partner”) is a member of a partnership which resides outside the United Kingdom or which carries on any trade, profession or business the control and management of which is situated outside the United Kingdom, and
 - (b) by virtue of any arrangements falling within section 788 of the Taxes Act (“the arrangements”) any of the capital gains of the partnership are relieved from capital gains tax in the United Kingdom.
- (3) The arrangements do not affect any liability to capital gains tax in respect of the resident partner’s share of any capital gains of the partnership.”
- 432 In section 97(7) (supplementary provisions) for “section 660G(1) and (2) of the Taxes Act” substitute “section 620 of ITTOIA 2005”.
- 433 (1) Amend section 117 (meaning of qualifying corporate bond) as follows.
- (2) In subsection (2AA) for “relevant discounted security for the purposes of Schedule 13 to the Finance Act 1996” substitute “deeply discounted security for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 (see section 430)”.
- (3) In subsection (6C) for “Schedule 13 to the Finance Act 1996 (relevant discounted securities)” substitute “Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) (see section 433)”.
- 434 (1) Amend section 142 (capital gains on stock dividends) as follows.
- (2) In subsection (1) for the words from “section 249” to “that section” substitute “section 410(2), (3) or (4) of ITTOIA 2005 applies”.

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- (3) In subsection (3) for “the appropriate amount in cash (within the meaning of section 251(2) to (4) of the Taxes Act)” substitute “the cash equivalent of the share capital in accordance with section 412 of ITTOIA 2005”.
- 435 After section 148 insert—

“148A Futures and options involving guaranteed returns

- (1) Profits and gains that are chargeable under Chapter 12 of Part 4 of ITTOIA 2005 are not to be brought into account for the purposes of capital gains tax, except where section 148B applies.
- (2) Where—
- (a) losses are sustained by a person from a disposal, and
 - (b) had profits or gains arisen to the person from the disposal, they would be chargeable under that Chapter,
- the losses are not to be brought into account for the purposes of capital gains tax, except where section 148C applies.

148B Deemed disposals at a gain under section 564(4) of ITTOIA 2005

- (1) This section deals with how this Act applies where profits or gains arising to a person from such a disposal as is referred to in section 564(4) of ITTOIA 2005 (“the deemed disposal”) are chargeable to tax under Chapter 12 of Part 4 of that Act.
- (2) Amounts taken into account or allowable as deductions in calculating the profits or gains are not to be excluded from any calculation made for the purposes of this Act as a result of section 37 or 39.
- (3) For the purposes of this Act the amount of the consideration for the acquisition by the person of any asset the person disposes of by the future running to delivery or the exercise of the option is increased by the amount of the profits or gains chargeable under Chapter 12 of Part 4 of ITTOIA 2005.
- (4) Any increase made as a result of subsection (3) is to be disregarded in calculating any indexation allowance.
- (5) For the purposes of this Act the amount of the consideration for the acquisition of any asset acquired by the person by means of the future running to delivery or the exercise of the option is increased by the amount of the profits or gains chargeable under Chapter 12 of Part 4 of ITTOIA 2005.
- (6) If the deemed disposal is a disposal of an option by the grantor, for the purposes of subsections (3) to (5) any determination—
- (a) whether profits or gains arose to the grantor from that disposal, and
 - (b) of the amount of those profits or gains,
- is to be made as if the deemed disposal and the disposal by which the option was granted were a single transaction.
- (7) Section 565 of ITTOIA 2005 (interpretation of section 564 of that Act) applies for the purposes of this section as it applies for the purposes of section 564 of that Act.

148C Deemed disposals at a loss under section 564(4) of ITTOIA 2005

- (1) This section deals with how this Act applies where a loss sustained by a person from such a disposal as is referred to in section 564(4) of ITTOIA 2005 (“the deemed disposal”) is brought into account for the purposes of section 392 of ICTA (losses).
- (2) Amounts taken into account or allowable as deductions in calculating that loss are not to be excluded from any calculation made for the purposes of this Act as a result of section 37 or 39.
- (3) If the deemed disposal is a disposal of an option by the grantor, for the purposes of subsections (4) and (5) any determination—
 - (a) whether the grantor sustained a loss from that disposal, and
 - (b) of the amount of that loss,is to be made as if the deemed disposal and the disposal by which the option was granted were a single transaction.
- (4) If the loss from the deemed disposal equals or is less than—
 - (a) the amount of the consideration for the acquisition of any asset acquired by the person sustaining the loss by means of the future running to delivery or the exercise of the option, or
 - (b) the amount of the consideration for the acquisition by that person of any asset the person disposes of by the future running to delivery or the exercise of the option,for the purposes of this Act the amount of that consideration is reduced by the amount of the loss.
- (5) If the loss from the deemed disposal exceeds the amount of that consideration—
 - (a) that consideration is reduced to nil, and
 - (b) an amount equal to the excess is treated for the purposes of this Act as a chargeable gain accruing to the person sustaining the loss on the appropriate occasion.
- (6) In a case where the consideration mentioned in subsection (4)(a) is reduced under subsection (5)(a), the appropriate occasion is the first occasion after the acquisition mentioned in subsection (4)(a) when there is a disposal of the asset in question.
- (7) In a case where the consideration mentioned in subsection (4)(b) is so reduced, the appropriate occasion is the disposal the person sustaining the loss makes by the future running to delivery or the exercise of the option, as the case may be.
- (8) In subsection (6) the reference to a disposal of the asset in question includes a reference to anything that would be such a disposal but for section 116(10) or 127.
- (9) In subsections (6) and (7) the references to a disposal include references to a disposal which, in accordance with this Act, would (apart from subsection (5)(b)) be a disposal on which neither a gain nor a loss accrues.

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(10) Section 565 of ITTOIA 2005 (interpretation of section 564) applies for the purposes of this section as it applies for the purposes of section 564.”

436 In section 151 (personal equity plans) for subsections (2) and (2A) substitute—

“(2) The provisions of Chapter 3 of Part 6 of ITTOIA 2005 (income from individual investment plans), except section 694(1) and (2), shall apply in relation to regulations made under subsection (1) as they apply to regulations made under section 694(1), but with the substitution for any reference to income tax of a reference to capital gains tax.”

437 In section 151A(6) (venture capital trusts: reliefs) for the words from “in accordance” to the end of the subsection substitute “as references to shares not acquired within the limit in section 709(4) of ITTOIA 2005; and the question whether shares are acquired within that limit shall be determined as it is for the purposes of Chapter 5 of Part 6 of that Act.”

438 After section 151B insert—

“151C Strips: manipulation of price: associated payment giving rise to loss

(1) This section applies if—

- (a) as a result of any scheme or arrangement which has an unallowable purpose, the circumstances are, or might have been, as mentioned in paragraph (a), (b) or (c) of section 449(2) of ITTOIA 2005,
- (b) under the scheme or arrangement, a payment falls to be made otherwise than in respect of the acquisition or disposal of a strip, and
- (c) as a result of that payment or the circumstances in which it is made, a loss accrues to any person.

(2) The loss shall not be an allowable loss.

(3) For the purposes of this section a scheme or arrangement has an unallowable purpose if the main benefit, or one of the main benefits that might have been expected to result from, or from any provision of, the scheme or arrangement (apart from section 449 of ITTOIA 2005 and this section) is—

- (a) the obtaining of a tax advantage by any person, or
- (b) the accrual to any person of an allowable loss.

(4) The reference in subsection (1)(b) to the acquisition or disposal of a strip shall be construed as if it were in Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) (see, in particular, sections 437 and 445 of that Act for the meaning of “disposal” and “acquisition” and section 444 of that Act for the meaning of “strip”).

(5) In subsection (3)(a) “tax advantage” has the meaning given by section 709(1) of the Taxes Act.

(6) This section applies to losses accruing on or after 17th March 2004.”

439 In section 156(4) (assets of Class 1) after “Taxes Act” insert “or section 19 of ITTOIA 2005”.

440 In section 198(5)(b) (replacement of business assets used in connection with oil fields) after “the Taxes Act” insert “or defined as “oil-related activities” in section 16(2) of ITTOIA 2005”.

- 441 (1) Amend section 241 (furnished holiday lettings) as follows.
- (2) For subsection (2) substitute—
- “(2) For the purposes of this section as it applies to capital gains tax the “commercial letting of furnished holiday accommodation” has the same meaning as it has for the purposes of Chapter 6 of Part 3 of ITTOIA 2005.
- For the purposes of this section as it applies to corporation tax in respect of chargeable gains the “commercial letting of furnished holiday accommodation” has the meaning given by section 504 of the Taxes Act.”
- (3) In subsection (3)(a) for the words from “Schedule A business” to “Kingdom” substitute “UK property business (within the meaning of the Taxes Act), or any Schedule A business (within the meaning of that Act), which consists of, or so far as it consists of, the commercial letting of furnished holiday accommodation”.
- 442 In section 251(8)(b) (general provisions concerning debts) for “relevant discounted security for the purposes of Schedule 13 to that Act if paragraph 3(2)(c) of that Schedule” substitute “deeply discounted security for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 if section 432(2) of that Act”.
- 443 In section 254(1)(c) (definition of “a qualifying loan” for relief for debts on qualifying corporate bonds) for “relevant” and “Schedule 13 to the Finance Act 1996” substitute respectively “deeply” and “Chapter 8 of Part 4 of ITTOIA 2005”.
- 444 After section 261 insert—

“Know-how

261A Disposal of know-how as part of disposal of all or part of a trade

- (1) This section applies if—
- (a) a person carrying on a trade receives consideration for the disposal of know-how which has been used in the trade, and
- (b) the know-how is disposed of as part of the disposal of all or part of the trade.
- (2) If, as a result of section 194 of ITTOIA 2005, the consideration is treated for income tax purposes as—
- (a) a capital receipt for goodwill (in relation to the person disposing of the know-how), or
- (b) a capital payment for goodwill (in relation to the person acquiring the know-how),
- the consideration is treated for capital gains tax purposes in the same way.
- (3) This section has effect as if it were contained in Chapter 14 of Part 2 of ITTOIA 2005.”
- 445 (1) Amend section 271 (miscellaneous exemptions) as follows.
- (2) In subsection (1)(f) for “section 322 of the Taxes Act” substitute “section 771 of ITTOIA 2005”.
- (3) In subsection (4)—
- (a) for “bonus”, in both places, substitute “interest”,

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- (b) for “section 326 or 326A of the Taxes Act (certified contractual savings schemes and tax-exempt special savings accounts)” substitute “section 702 of ITTOIA 2005 (certified SAYE savings arrangements)”;
- (c) for “savings scheme”, in the first place where it occurs, substitute “savings arrangement”;
- (d) for “certified contractual savings scheme” substitute “certified SAYE savings arrangement”;
- (e) for “scheme”, in the last place where it occurs, substitute “arrangement”, and
- (f) at end insert—

“In this subsection “certified SAYE savings arrangement” has the meaning given by section 703 of ITTOIA 2005.”

446 In section 286(3) (connected persons: interpretation) for “Chapter 1A of Part XV of the Taxes Act (see section 660G(1) and (2) of that Act)” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.

447 (1) Amend section 288 (interpretation) as follows.

(2) In subsection (1) after the definition of “ITEPA 2003” insert—

““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”.

(3) After subsection (7) insert—

“(7A) In the application of this Act to Scotland “surrender” includes renunciation.”

448 In Schedule A1 (application of taper relief), in paragraph 17(6), for “section 660G(1) and (2) of the Taxes Act” substitute “section 620 of ITTOIA 2005”.

449 In Schedule 1 (application of exempt amount and reporting limits in cases involving settled property), in paragraph 2(7), for “section 660G(1) and (2) of the Taxes Act” substitute “section 620 of ITTOIA 2005”.

450 In paragraph 13(7)(h) of Schedule 5B (enterprise investment scheme: re-investment)

- (a) in sub-paragraph (i) after “trade or profession” insert “carried on wholly or partly in the United Kingdom”, and
- (b) in sub-paragraph (ii) for the words from “in computing” to the end substitute “in calculating for tax purposes the profits of that trade or profession”.

451 (1) Amend Schedule 8 (leases) as follows.

(2) In paragraph 5—

- (a) in sub-paragraph (1) after “that Act)” insert “or by virtue of any of sections 277 to 281 of ITTOIA 2005 as a receipt of a UK property business (within the meaning of that Act)”;
- (b) in sub-paragraph (2) after “that Act)” insert “or by virtue of any of sections 277 to 281 of ITTOIA 2005 as a receipt of a UK property business (within the meaning of that Act)”;
- (c) in sub-paragraph (3) after “that Act)” insert “or by virtue of section 284 or 285 of ITTOIA 2005 (sale of land with right to reconveyance or leaseback) as a receipt of a UK property business (within the meaning of that Act),” and
- (d) for sub-paragraph (5) substitute—

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“(5) References in sub-paragraphs (1) and (2) above to a premium include references to—

- (a) a premium deemed to have been received under subsection (4) or (5) of section 34 of the Taxes Act (which correspond to paragraph 3(2) and (3) of this Schedule),
- (b) a sum that becomes payable by the tenant under the terms subject to which a lease is granted in lieu of the whole or a part of the rent for any period,
- (c) a sum that becomes payable by the tenant under the terms subject to which a lease is granted as consideration for the surrender of the lease, and
- (d) a sum that becomes payable by the tenant (otherwise than by way of rent) as consideration for the variation or waiver of any of the terms of a lease.”

(3) In paragraph 6—

(a) for sub-paragraph (1) substitute—

“(1) If—

- (a) under section 37(4) of the Taxes Act (allowance where, by the grant of a sublease, a lessee has converted a capital amount into a right to income) a person is to be treated as paying additional rent in consequence of having granted a sublease, or
- (b) under section 292 of ITTOIA 2005 a person is to be treated as incurring expenses in consequence of having granted a sublease,

the amount of any loss accruing to the person on the disposal by way of the grant of the sublease shall be reduced by the total amount of rent which the person is thereby treated as paying, or the total amount of expenses which the person is thereby treated as incurring, over the term of the sublease (and without regard to whether relief is thereby effectively given over the term of the sublease), but not so as to convert the loss into a gain, or to increase any gain.”,

- (b) in sub-paragraph (2) at the end insert “or by virtue of section 282 of ITTOIA 2005 (assignments for profit of lease granted at undervalue) as a receipt of a UK property business (within the meaning of that Act)”, and
- (c) in sub-paragraph (3) after “that paragraph” insert “or under section 301 or 302 of ITTOIA 2005 on a claim under that section.”.

(4) For paragraph 7 substitute—

“7 If—

- (a) under section 34(2) and (3) of the Taxes Act any amount is brought into account by virtue of section 34(2) and (3) of the Taxes Act as a receipt of a Schedule A business (within the meaning of that Act) which is or is treated as carried on by any person, or
- (b) under section 277 of ITTOIA 2005 any amount is brought into account by virtue of section 278 of that Act as a receipt of a

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UK property business (within the meaning of that Act) which is carried on by any person,

that person shall be treated for the purposes of the computation of any gain accruing to him as having incurred at the time the lease was granted expenditure of that amount (in addition to any other expenditure) attributable to the asset under section 38(1)(b).”

(5) In paragraph 7A after “Schedule A business” insert “or UK property business”.

Finance (No. 2) Act 1992 (c. 48)

452 The Finance (No. 2) Act 1992 is amended as follows.

453 (1) Amend section 40A (revenue nature of expenditure on master versions of films) as follows.

(2) In subsection (1)—

- (a) for “the purposes of the Tax Acts” substitute “corporation tax purposes”, and
- (b) after “section 40D below” insert “or section 143 of ITTOIA 2005 (corresponding income tax provision)”.

(3) In subsection (2) for “the purposes of the Tax Acts” substitute “corporation tax purposes”.

(4) In the definition of “expenditure of a revenue nature” in subsection (4)(a) after “chargeable to” insert “corporation”.

454 (1) Amend section 40B (allocation of expenditure to periods) as follows.

(2) In subsection (1) for “person” substitute “company within the charge to corporation tax”.

(3) In subsection (2) after “section 40D below” insert “or section 143 of ITTOIA 2005”.

(4) In subsection (3)(b) for “up for a period—” to the end substitute “up for a period, the accounting period of the company.”

(5) In subsection (6) for “made—” to the end substitute “made not later than two years after the end of the relevant period to which the claim relates.”

(6) In subsection (7)(b) at the end insert “or section 135 of ITTOIA 2005 (income tax provision corresponding to this section)”.

455 In section 40C(1) (cases where section 40B does not apply) after “section 42 below” insert “or under any of sections 138 to 140 of ITTOIA 2005 (corresponding income tax provisions)”.

456 (1) Amend section 40D (election for sections 40A and 40B not to apply) as follows.

(2) In subsection (1)(a) after “this section” insert “or under section 143 of ITTOIA 2005”.

(3) In subsection (2)(a)(i) for “a person who carries” substitute “a company within the charge to corporation tax carrying”.

(4) In subsection (4) for “given—” to the end substitute “given not later than two years after the end of the relevant period in which the master version of the film is completed.”

- (5) In subsection (7) at the end insert “or any of that expenditure is deducted under any of sections 137 to 140 of ITTOIA 2005 (corresponding income tax provisions)”.
- 457 (1) Amend section 41 (relief for preliminary expenditure) as follows.
- (2) In subsection (1)—
- (a) for “tax purposes”, in the first place where it occurs, substitute “the purposes of corporation tax”,
 - (b) for “a person” substitute “a company within the charge to corporation tax”,
 - (c) for “that person” substitute “the company”,
 - (d) for “him” substitute “it”, and
 - (e) after “section 40D above” insert “or section 143 of ITTOIA 2005”.
- (3) In subsection (6) for “made—” to the end substitute “made not later than two years after the end of the relevant period in which the expenditure to which it relates becomes payable.”
- (4) In subsection (7)—
- (a) after “this section” insert “or section 137 of ITTOIA 2005 (corresponding income tax provision)”, and
 - (b) for “tax purposes” substitute “the purposes of corporation tax”.
- 458 (1) Amend section 42 (relief for production or acquisition expenditure) as follows.
- (2) In subsection (1)—
- (a) for “tax purposes” substitute “the purposes of corporation tax”,
 - (b) for “a person” substitute “a company”,
 - (c) for “that person” substitute “the company”,
 - (d) after “section 40B above” insert “or section 135 of ITTOIA 2005”, and
 - (e) after “section 40D above” insert “or section 143 of ITTOIA 2005”.
- (3) In subsection (4)—
- (a) in paragraph (b) after “section 41 above” insert “or section 137 of ITTOIA 2005”,
 - (b) in paragraph (c) after “this section” insert “or any provision of Chapter 9 of Part 2 of ITTOIA 2005”.
- (4) In subsection (6) for “shall be made—” to the end substitute “—
- (a) shall be made not later than two years after the end of the relevant period to which the claim relates, and
 - (b) shall be irrevocable.”
- (5) In subsection (7) after “section 40B above” insert “or section 135 of ITTOIA 2005”.
- 459 In section 43(1) after the definition of “expenditure of a revenue nature” insert—
- ““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”.
- 460 Omit section 59 (furnished accommodation).
- 461 Omit Schedule 10 (furnished accommodation).

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Finance Act 1993 (c. 34)

- 462 The Finance Act 1993 is amended as follows.
- 463 In section 112(7) (employers' pension contributions) in the definition of “basis period” after “Schedule D” insert “or under Part 2 of the Income Tax (Trading and Other Income) Act 2005”.
- 464 (1) Amend section 171 (Lloyd’s underwriters etc: taxation of income tax profits) as follows.
- (2) In subsection (2) for paragraphs (a) and (b) substitute—
- “(a) the aggregate of those profits shall be chargeable to tax under Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005 as the profits of a trade carried on in the United Kingdom; and
- (b) accordingly, no part of those profits shall be treated as relevant foreign income, or be charged to tax under any other Part of that Act or any Part of the Income Tax (Earnings and Pensions) Act 2003;”.
- (3) In subsection (2B) for “section 231(1) of the Taxes Act 1988” substitute “section 397(1) of the Income Tax (Trading and Other Income) Act 2005”.
- 465 In paragraph 13(4) of Schedule 19 (Lloyd’s underwriters etc: repayment of tax deducted etc. from investment income) after “others)” insert “and section 749 of the Income Tax (Trading and Other Income) Act 2005 (exemption of interest paid under repayment supplements) so far as it relates to interest paid under section 824 of the Taxes Act 1988”.
- 466 (1) Amend Schedule 20A (Lloyd’s underwriters: conversion to limited liability underwriting) as follows.
- (2) In paragraph 2(2) for “Schedule D” substitute “Part 2 of the Income Tax (Trading and Other Income) Act 2005”.
- (3) In paragraph 7(2) for “Schedule D” substitute “Part 2 of the Income Tax (Trading and Other Income) Act 2005”.

Pension Schemes Act 1993 (c. 48)

- 467 The Pension Schemes Act 1993 is amended as follows.
- 468 In section 158(4) (disclosure of information between government departments etc.)
-
- (a) after “carrying on or have carried on” insert “wholly or partly in the United Kingdom”, and
- (b) after “chargeable to tax under” insert “Part 2 of the Income Tax (Trading and Other Income) Act 2005 or”.

Pension Schemes (Northern Ireland) Act 1993 (c. 49)

- 469 The Pension Schemes (Northern Ireland) Act 1993 is amended as follows.
- 470 In section 154(4) (disclosure of information between government departments etc.)
-
- (a) after “carrying on or have carried on” insert “wholly or partly in the United Kingdom”, and

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- (b) after “chargeable to tax under” insert “Part 2 of the Income Tax (Trading and Other Income) Act 2005 or”.

Finance Act 1994 (c. 9)

- 471 The Finance Act 1994 is amended as follows.
- 472 (1) Amend Schedule 20 (changes for facilitating self-assessment: transitional provisions and savings) as follows.
- (2) Omit paragraphs 1 to 10.
- (3) In paragraph 11—
- (a) in sub-paragraph (1) omit “Subject to paragraph 12(2) below,”,
- (b) in sub-paragraph (3) for “under Case VI of Schedule D” substitute “to income tax”, and
- (c) in sub-paragraph (3) at the end insert “, and the person shall be liable for any tax so chargeable”.
- (4) Omit paragraphs 12 and 13.
- 473 In paragraph 26 of Schedule 24 (vesting in successor company of the British Railways Board of liability for loans to that Board not to affect directions by the Treasury under section 581 of ICTA) for “section 581 of the Taxes Act 1988” substitute “section 755 of the Income Tax (Trading and Other Income) Act 2005”.

Coal Industry Act 1994 (c. 21)

- 474 In paragraph 17(1) of Schedule 4 to the Coal Industry Act 1994 (vesting in successor company of liability for loans not to affect directions by the Treasury under section 581 of ICTA) for “section 581 of the 1988 Act” substitute “section 755 of the Income Tax (Trading and Other Income) Act 2005”.

Finance Act 1995 (c. 4)

- 475 The Finance Act 1995 is amended as follows.
- 476 Omit section 56 (foreign life policies etc).
- 477 In section 73(1)(a) (venture capital trusts: regulations) after “1992” insert “or Chapter 5 of Part 6 of the Income Tax (Trading and Other Income) Act 2005”.
- 478 In section 123 (prevention of exploitation of transitional provisions) for “2(2) and (4), 4(2) and 6(2)(a) and (4) of Schedule 20 to the Finance Act 1994” substitute “52 and 53 of Schedule 2 to the Income Tax (Trading and Other Income) Act 2005”.
- 479 (1) Amend section 126 (UK representatives of non-residents) as follows.
- (2) In subsections (6) and (7) for “the deemed trade or profession from which the non-resident’s share in the partnership’s profits or losses is treated for the purposes of section 111 or 114 of the Taxes Act 1988 as deriving” substitute “the notional or deemed trade or profession”.
- (3) After subsection (7) insert—
- “(7A) In subsections (6) and (7) “the notional or deemed trade or profession” means—

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- (a) the notional trade from which the non-resident’s share in the partnership’s profits or losses is treated for the purposes of section 852 of the Income Tax (Trading and Other Income) Act 2005 as deriving, or
- (b) the deemed trade or profession from which that share is treated for the purposes of section 114 of the Taxes Act as deriving.”
- 480 In section 128(3) (limit on income chargeable on non-residents: income tax) for paragraphs (a) and (b) substitute—
- “(a) it—
- (i) is chargeable to income tax under Chapter 2, 7, 8, 10 or 11 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (interest, purchased life annuity payments, profits from deeply discounted securities, distributions from unauthorised unit trusts and transactions in deposits), section 579 of that Act so far as it relates to annual payments (royalties etc. from intellectual property), Chapter 4 of Part 5 of that Act so far as it relates to annual payments (certain telecommunication rights: non-trading income) or Chapter 7 of Part 5 of that Act (annual payments not otherwise charged); and
- (ii) is not relevant foreign income;
- (aa) it is chargeable to tax under Chapter 3 of Part 4 of that Act (dividends etc. from UK resident companies etc.);”.
- 481 (1) Amend section 154 (short rotation coppice) as follows.
- (2) In subsection (1) at the beginning insert “Subject to subsection (1A),”.
- (3) After subsection (1) insert—
- “(1A) Subsection (1) does not apply for the purposes of the Income Tax (Trading and Other Income) Act 2005 (in relation to which section 876(3) and (4) makes corresponding provision).”
- 482 In section 157(7) (certificates of tax deposit) for “Case III of Schedule D” substitute “Chapter 2 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (interest)”.
- 483 In paragraph 3(4) of Schedule 18 (deceased persons' estates) after “Schedule)” insert “and sections 652, 660 and 665 of the Income Tax (Trading and Other Income) Act 2005”.
- 484 (1) Amend Schedule 22 (prevention of exploitation of transitional provisions to facilitate self-assessment) as follows.
- (2) Omit paragraph 2.
- (3) In paragraph 3—
- (a) in sub-paragraph (1)(a) for “paragraph 2(4) of Schedule 20 to the Finance Act 1994” substitute “paragraph 52 of Schedule 2 to the Income Tax (Trading and Other Income) Act 2005 (“ITTOIA 2005”)”,
- (b) in sub-paragraph (2) for “the said paragraph 2(4)” substitute “paragraph 52 of that Schedule”,

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- (c) in sub-paragraph (4), in the definition of “the transitional overlap period”, after “1996-97” insert “(determined in accordance with paragraph 1 of Schedule 20 to the Finance Act 1994 despite the repeal by ITTOIA 2005 of that paragraph)” and after “that year” insert “(as so determined)”, and
 - (d) in sub-paragraph (4), in the definition of “the transitional overlap profit”, for “the said paragraph 2(4)” substitute “paragraph 52(2) of Schedule 2 to ITTOIA 2005”.
- (4) Omit paragraph 4.
- (5) In paragraph 5—
- (a) in sub-paragraph (1) for “paragraph 2(4) of Schedule 20 to the Finance Act 1994” substitute “paragraph 52 of Schedule 2 to ITTOIA 2005”,
 - (b) in sub-paragraph (3) for “the said paragraph 2(4)” substitute “paragraph 52 of Schedule 2 to ITTOIA 2005”, and
 - (c) in sub-paragraph (5), in the definition of “the transitional overlap profit”, for “the said paragraph 2(4)” substitute “paragraph 52(2) of Schedule 2 to ITTOIA 2005”.
- (6) Omit paragraph 6.
- (7) In paragraph 7—
- (a) in sub-paragraph (1) for “paragraph 6(4) of Schedule 20 to the Finance Act 1994” substitute “paragraph 53 of Schedule 2 to ITTOIA 2005”,
 - (b) in sub-paragraph (2) for “the said paragraph 6(4)” substitute “paragraph 53 of that Schedule”,
 - (c) in sub-paragraph (4), in the definition of “the transitional overlap period”, after “1996-97” insert “(determined in accordance with paragraph 1 of Schedule 20 to the Finance Act 1994 despite the repeal by ITTOIA 2005 of that paragraph)” and after “that year” insert “(as so determined)”, and
 - (d) in sub-paragraph (4), in the definition of “the transitional overlap profit”, for “the said paragraph 6(4)” substitute “paragraph 53(3) of Schedule 2 to ITTOIA 2005”.
- (8) Omit paragraphs 8 to 10.
- (9) In paragraph 14(1) for “paragraphs 1, 3, 6 and 7” substitute “paragraphs 1, 3 and 7”.
- (10) In paragraph 15(1) for “paragraphs 1, 3, 6 and 7” substitute “paragraphs 1, 3 and 7”.
- (11) Omit paragraphs 18 to 20.
- (12) In the heading for “SCHEDULE 20 TO FINANCE ACT 1994” substitute “SCHEDULE 2 TO ITTOIA 2005 (SO FAR AS RELATING TO OVERLAP PROFIT)”.

Finance Act 1996 (c. 8)

485 The Finance Act 1996 is amended as follows.

486 In section 92(1) (convertible securities etc: creditor relationships) for paragraph (d) substitute—

- “(d) the asset is not a deeply discounted security for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income)

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Act 2005 (see section 430) or an excluded indexed security within the meaning of section 433 of that Act;”.

487 Omit section 102 (discounted securities: income tax provisions).

488 (1) Amend section 154 (FOTRA securities) as follows.

(2) In subsection (2)—

- (a) for “(3) to” substitute “(3) and”, and
- (b) at the end insert—

“This does not apply to any charge to income tax (but see sections 714 and 715 of the Income Tax (Trading and Other Income) Act 2005 for exemptions from income tax charges).”

(3) Omit subsection (4).

(4) In subsection (6) omit “income tax or”.

489 (1) Amend Schedule 9 (loan provisions: special computational provisions) as follows.

(2) In the italic cross-heading before paragraph 17 for “*Discounted*” substitute “*Deeply discounted*”.

(3) In paragraph 17(1)(a) for “relevant” substitute “deeply”.

(4) For paragraph 17(4) substitute—

“(4) In this paragraph “deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see section 430); and the provisions of that Chapter shall apply for the purposes of this paragraph for determining the difference between the issue price of a security and the amount payable on redemption as they apply for the purposes of section 430 of that Act.”

(5) In paragraph 17(8) and (8A) for “relevant” substitute “deeply”.

(6) In the italic cross-heading before paragraph 18 for “*Discounted*” substitute “*Deeply discounted*”.

(7) In paragraph 18(1)(a), (2C) and (2D) for “relevant” substitute “deeply”.

(8) For paragraph 18(3) substitute—

“(3) In this paragraph “deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see section 430); and the provisions of that Chapter shall apply for the purposes of this paragraph for determining the difference between the issue price of a security and the amount payable on redemption as they apply for the purposes of section 430 of that Act.”

(9) In paragraph 19(13) for “relevant” substitute “deeply”.

490 Omit Schedule 13 (discounted securities: income tax provisions).

491 (1) Amend Schedule 15 (loan relationships: savings and transitional provisions) as follows.

(2) In paragraph 26(2) for the definition of “relevant discounted security” substitute—

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““deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see section 430)”.

- (3) In paragraph 28(b) for “Schedule 13 to this Act” and “relevant” substitute respectively “Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (profits from deeply discounted securities)” and “deeply”.
- (4) In paragraph 30(1)(c) for “relevant” substitute “deeply”.

Finance Act 1997 (c. 16)

492 The Finance Act 1997 is amended as follows.

493 In section 79 (payments under certain life insurance policies)—

- (a) in subsection (1)(a) for “the purposes of the Tax Acts” substitute “corporation tax purposes”, and
- (b) in subsection (3) after “Tax Acts” insert “other than the Income Tax (Trading and Other Income) Act 2005”.

494 (1) Amend Schedule 12 (leasing arrangements: finance leases and loans) as follows.

(2) In paragraph 11—

- (a) in sub-paragraph (9) after “1992” insert “or section 135, 138, 139 or 140 of ITTOIA 2005”,
- (b) in sub-paragraph (10)(b) after “1992” insert “or section 134(2) of ITTOIA 2005”,
- (c) in sub-paragraph (11)(a) after “Taxes Act 1988” insert “or section 170 of ITTOIA 2005”, and
- (d) in sub-paragraph (11)(b) for “of that Act” substitute “of the Taxes Act 1988 or section 165 or 168 of ITTOIA 2005”.

(3) In paragraph 30—

- (a) in sub-paragraph (1) before the definition of “lease” insert—

““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”, and

- (b) in sub-paragraph (2)(b) for “Case I or II of Schedule D” substitute “Part 2 of ITTOIA 2005”.

Finance Act (No.2) 1997 (c. 58)

495 The Finance (No.2) Act 1997 is amended as follows.

496 In section 30 (tax credits)—

- (a) in subsection (9) after “above” insert “and rewritten in section 397(3) of the Income Tax (Trading and Other Income) Act 2005”, and
- (b) in subsection (10)(a) for “section 231 of the Taxes Act 1988” substitute “section 397 of the Income Tax (Trading and Other Income) Act 2005”.

497 In section 37(7) (interest to be paid gross) for “sections 722A(5) and 730C(9), and in paragraph 3A(2)(a) of Schedule 23A, (which all” substitute “section 722A(5), and in paragraph 3A(2)(a) of Schedule 23A, (which”.

Status: This is the original version (as it was originally enacted).

- 498 In section 48(1) (relief for expenditure on production or acquisition of films) after “, section 41 above or this section” insert “or by virtue of any provision of Chapter 9 of Part 2 of ITTOIA 2005”.

Finance Act 1998 (c. 39)

- 499 The Finance Act 1998 is amended as follows.
- 500 In section 42 (computation of profits of trade, profession or vocation)—
- (a) omit subsection (4), and
 - (b) in subsection (5) for “Tax Acts” substitute “Corporation Tax Acts”.
- 501 Omit section 43 (barristers and advocates in early years of practice).
- 502 (1) Amend section 46 (minor and consequential provisions about computations) as follows.
- (2) In subsection (1) for “Tax Acts” substitute “Corporation Tax Acts”.
 - (3) In subsection (2) for “any purpose of the Tax Acts” substitute “corporation tax purposes”.
- 503 In section 76(3) (power to make regulations for non-UK residents who have made investments under individual investment plans to be treated as UK resident for the purpose of tax credits) for “section 333 of the Taxes Act 1988” substitute “Chapter 3 of Part 6 of the Income Tax (Trading and Other Income) Act 2005”.
- 504 In section 123(7)—
- (a) for “both” substitute “more”,
 - (b) in paragraph (a) for the words from “(regulations” onwards substitute “(investment plan regulations)”, and
 - (c) at the end of paragraph (b) add “and
 - (c) Chapter 3 of Part 6 of the Income Tax (Trading and Other Income) Act 2005 (income from individual investment plans),”.

Finance Act 1999 (c. 16)

- 505 The Finance Act 1999 is amended as follows.
- 506 In section 63(1) (treatment of transfer fees under existing contracts) at the end insert “or, as the case may be, under Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005”.
- 507 (1) Amend section 65 (relevant discounted securities) as follows.
- (2) Omit subsections (1) to (6).
 - (3) In subsection (8) for “subsections (1) to (7) above have” substitute “subsection (7) above has”.
 - (4) In subsections (9) and (10) for “subsections (1) to (7)”, “have effect” and “do not affect” substitute “subsection (7)”, “has effect” and “does not affect” respectively.
 - (5) In subsections (11) and (12) for “subsections (1) to (7) above have” substitute “subsection (7) above has”.

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- 508 In section 85(7)(b) (advance pricing agreements etc.) after “Taxes Act 1988” insert
“or section 16(1) of the Income Tax (Trading and Other Income) Act 2005”.
- 509 (1) Amend Schedule 6 (tax treatment of receipts by way of reverse premium) as follows.
- (2) In paragraph 1(1) (application of Schedule)—
- (a) for “a person receives” substitute “a company receives”,
 - (b) for “him or a person connected with him” substitute “the company or a person connected with the company”, and
 - (c) for “the person receiving the payment or other benefit, or as the case may be the person connected with him” substitute “the company receiving the payment or other benefit, or as the case may be the person connected with the company”.
- (3) In paragraph 2 (tax treatment of receipts by way of reverse premium)—
- (a) for “the purposes of the Tax Acts” substitute “corporation tax purposes”,
 - (b) for “the person receiving the reverse premium”, in both places where it occurs, substitute “the company receiving the reverse premium”,
 - (c) for “that person” substitute “that company”,
 - (d) for “tax” substitute “corporation tax”, and
 - (e) for “him” substitute “the company”.
- (4) In paragraph 3(3) (arrangements not at arm’s length)—
- (a) for “the person receiving” substitute “the company receiving”,
 - (b) for “by him but which he” substitute “by the company but which it”, and
 - (c) for “he carries” substitute “the company carries”.
- (5) Omit paragraph 6 (exclusion of transaction relating to individual’s only or main residence) and the italic cross-heading before it.

Commonwealth Development Corporation Act 1999 (c. 20)

- 510 (1) Amend paragraph 6 of Schedule 3 to the Commonwealth Development Corporation Act 1999 (distributions by the Commonwealth Development Corporation) as follows.
- (2) In sub-paragraph (2)(b) after “section 231 of that Act” insert “or section 397 of the Income Tax (Trading and Other Income) Act 2005 (tax credits for qualifying distributions: UK residents and eligible non-UK residents)”.
- (3) In sub-paragraph (3) for “corporation tax and income tax” substitute “income tax as dividends of a non-UK resident company chargeable under Chapter 4 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (and accordingly as relevant foreign income for the purposes of that Act), and for the purposes of corporation tax”.
- (4) Omit sub-paragraph (4).

Finance Act 2000 (c. 17)

- 511 The Finance Act 2000 is amended as follows.
- 512 (1) Amend section 44 (gifts to charity from certain trusts) as follows.
- (2) Omit subsections (1) to (3).

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- (3) In subsection (4)—
- (a) for “UK trust” substitute “trust the trustees of which are resident in the United Kingdom (a “UK trust”)”, and
 - (b) for “subsection (1) above” substitute “section 628(1) or 630(1) of ITTOIA 2005”.
- (4) For subsection (5) substitute—
- “(5) In this section—
- “qualifying income” has the same meaning as in section 628 of ITTOIA 2005; and
 - “resident”, in relation to the trustees of a trust, shall be construed in accordance with section 110 of the Finance Act 1989.”
- 513 Omit section 45 (loans to charities).
- 514 (1) Amend section 46 (exemption for small trades etc.) as follows.
- (2) In subsection (1) for the words from the beginning to “shall be granted,” substitute—
- “(1) Subject to subsections (2) and (2A) below, exemption—
- (a) from income tax—
 - (i) under Part 2 of ITTOIA 2005 in respect of a trade carried on wholly or partly in the United Kingdom, or
 - (ii) under or by virtue of any provision to which section 836B of the Taxes Act 1988 applies, or
 - (b) from corporation tax under Case I or VI of Schedule D, shall be granted”.
- (3) For subsection (2) substitute—
- “(2) Exemption shall not be granted under subsection (1) above in respect of income which is chargeable to—
- (a) income tax under or by virtue of any provision to which section 836B of the Taxes Act 1988 applies, or
 - (b) corporation tax under Case VI of Schedule D, by virtue of any of the provisions mentioned in subsection (2A).
- (2A) The provisions are—
- (a) sections 214, 547(1)(b), 703, 776, 788, 790 or 804 of the Taxes Act 1988;
 - (b) paragraph 52(4) of Schedule 18 to the Finance Act 1998;
 - (c) Chapter 9 of Part 4, and Chapter 5 of Part 5, of ITTOIA 2005; and
 - (d) any other enactment specified in an order made by the Treasury.”
- (4) In subsection (6), in the definition of “income”—
- (a) after “means” insert “—
 - (a) any profits or other income or gains —
 - (i) which are chargeable to income tax under Part 2 of ITTOIA 2005 in respect of a trade carried on wholly or partly in the United Kingdom, or

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- (ii) which are chargeable to income tax under or by virtue of any provision to which section 836B of the Taxes Act 1988 applies,
and which (in either case) are not, apart from this section, exempted from income tax chargeable under or by virtue of that Part or provision, or
(b)”,
(b) after “chargeable to” insert “corporation”.
- 515 Omit section 84 (exemption of payments under New Deal 50plus).
516 Omit section 85 (exemption of payments under Employment Zones programmes).
517 Omit section 87 (treatment of certain telecommunication rights).
518 In section 143(2) (power to provide incentives to use electronic communications) for “purposes of the Tax Acts” substitute “corporation tax purposes”.
519 In section 155 (interpretation) at the end insert “and “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005”.
520 In Schedule 12 (provision of services through an intermediary), in paragraphs 17(1) and 18(1), for “tax purposes” substitute “corporation tax purposes”.
521 In Schedule 15 (the corporate venturing scheme), in paragraph 99(3), for “Chapter 1A of Part XV of the Taxes Act 1988 (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.
522 In Schedule 22 (tonnage tax), in paragraph 144(3), for “Chapter 1A of Part XV of the Taxes Act 1988 (see section 660G(1) and (2) of that Act)” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.
523 Omit Schedule 23 (treatment of certain telecommunication rights).

Capital Allowances Act 2001 (c. 2)

- 524 The Capital Allowances Act 2001 is amended as follows.
525 In section 4 (capital expenditure) for subsection (5) substitute—
“(5) Subsection (4) does not apply to any expenditure or sum in the case of which a deduction of income tax falls or may fall to be so made as a result of section 595(2) of ITTOIA 2005 or section 524(3)(b) of ICTA (receipts from sale of patent rights by person not resident in the UK: income and corporation tax).”
- 526 (1) Amend section 15 (qualifying activities) as follows.
(2) In subsection (1)—
(a) in paragraph (b) for “Schedule A” substitute “property”,
(b) in paragraph (f) after “listed in” insert “section 12(4) of ITTOIA 2005 or”.
(3) In subsection (3)(a) for “Schedule A” substitute “property”.
- 527 (1) Amend section 16 (ordinary Schedule A businesses) as follows.
(2) For ““ordinary Schedule A” substitute ““ordinary property””.

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- (3) For “means a Schedule A business” substitute “means a UK property business, or a Schedule A business.”.
- (4) In the side-note for “Schedule A” substitute “property”.
- 528 (1) Amend section 17 (furnished holiday lettings businesses) as follows.
- (2) In subsection (1) for “a Schedule A business in so far” to the end substitute “a UK property business, or a Schedule A business, which consists in, or so far as it consists in, the commercial letting of furnished holiday accommodation”.
- (3) For subsection (3) substitute—
- “(3) For the purposes of income tax the “commercial letting of furnished holiday accommodation” has the same meaning as it has for the purposes of Chapter 6 of Part 3 of ITTOIA 2005.
- For the purposes of corporation tax the “commercial letting of furnished holiday accommodation” has the meaning given by section 504 of ICTA.”
- 529 In section 20(1) (employments and offices) for “section 314 of ICTA” substitute “section 15 of ITTOIA 2005”.
- 530 In section 23(2) (expenditure unaffected by sections 21 and 22) before “40D” insert “143 of ITTOIA 2005 or section”.
- 531 In section 28(2) (thermal insulation of industrial buildings) for “Schedule A” substitute “property”.
- 532 In section 33(8)(b) (personal security) for “Schedule A” substitute “property”.
- 533 In section 35(1)(a) (expenditure on plant or machinery for use in dwelling-house not qualifying expenditure in certain cases) for “Schedule A” substitute “property”.
- 534 In section 38(a) (production of animals etc)—
- (a) after “to which” insert “section 30 or Chapter 8 of Part 2 of ITTOIA 2005 or”, and
- (b) after “purposes of” insert “Part 2 of ITTOIA 2005 or”,
- 535 (1) Amend section 63 (cases in which disposal value is nil) as follows.
- (2) In subsection (2)(c) after “within the meaning of” insert “section 110 of ITTOIA 2005 or”.
- (3) In subsection (3)(b) for “Schedule A” substitute “property”.
- (4) In subsection (4) after “to be read with” insert “section 109 of ITTOIA 2005 and”.
- 536 (1) Amend section 106 (the designated period) as follows.
- (2) In subsection (3)(b) for the words from “the qualifying activity” to the end substitute “—
- (i) there was a change in the persons carrying on the qualifying activity which did not involve all of the persons carrying on that activity before the change permanently ceasing to carry it on, or
- (ii) the qualifying activity carried on by the person making the disposal was treated as continuing under section 114(1) of ICTA (effect of partnership changes involving companies).”

- (3) Omit subsection (4).
- 537 (1) Amend section 108 (effect of disposal to connected person on overseas leasing pool) as follows.
- (2) In subsection (1) for paragraph (b) and the word “and” at the end of that paragraph substitute—
- “(b) the disposal is one on the occasion of which—
- (i) there was a change in the persons carrying on the qualifying activity which involved all of the persons carrying on that activity before the change permanently ceasing to carry it on, or
- (ii) the qualifying activity carried on by the person making the disposal was not treated as continuing under section 114(1) or 343(2) of ICTA (effect of partnership changes involving companies or of company reconstructions), and”.
- (3) Omit subsection (4).
- 538 (1) Amend section 112 (excess allowances: connected persons) as follows.
- (2) In subsection (1) for paragraph (b) and the word “and” at the end of that paragraph substitute—
- “(b) the transaction (or each of the transactions) is one—
- (i) which involved all of the persons carrying on the qualifying activity before the transaction permanently ceasing to carry it on, or
- (ii) in respect of which the qualifying activity carried on by the person making the disposal was not treated as continuing under section 114(1) or 343(2) of ICTA (effect of partnership changes involving companies or of company reconstructions), and”.
- (3) Omit subsection (5).
- 539 (1) Amend section 115 (prohibited allowances: connected persons) as follows.
- (2) In subsection (1) for paragraph (c) and the word “and” at the end of that paragraph substitute—
- “(c) the transaction (or each of the transactions) is one—
- (i) which involved all of the persons carrying on the qualifying activity before the transaction permanently ceasing to carry it on, or
- (ii) in respect of which the qualifying activity carried on by the person making the disposal was not treated as continuing under section 114(1) or 343(2) of ICTA (effect of partnership changes involving companies or of company reconstructions), and”.
- (3) Omit subsection (3).
- 540 (1) Amend section 122 (short-term leasing by buyer, lessee etc) as follows.
- (2) In subsection (2) for paragraph (c) substitute—

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- “(c) a person who acquired the plant or machinery from X as a result of a disposal on the occasion of which, or two or more disposals on the occasion of each of which—
- (i) there was a change in the persons carrying on the qualifying activity which did not involve all of the persons carrying on that activity before the change permanently ceasing to carry it on, or
 - (ii) the qualifying activity carried on by the person making the disposal was treated as continuing under section 114(1) of ICTA (effect of partnership changes involving companies);”.
- (3) Omit subsection (3).
- 541 (1) Amend section 125 (other qualifying purposes) as follows.
- (2) In subsection (3) for paragraph (c) substitute—
- “(c) a person who acquired the plant or machinery from X as a result of a disposal on the occasion of which, or two or more disposals on the occasion of each of which—
- (i) there was a change in the persons carrying on the qualifying activity which did not involve all of the persons carrying on that activity before the change permanently ceasing to carry it on, or
 - (ii) the qualifying activity carried on by the person making the disposal was treated as continuing under section 114(1) of ICTA (effect of partnership changes involving companies).”
- (3) Omit subsection (5).
- 542 In section 154(3) (further registration requirement) for paragraph (b) substitute—
- “(b) the only changes in the persons carrying it on between the time that B does so and the time that A or a person connected with A does so are changes—
- (i) which do not involve all of the persons carrying it on before the changes permanently ceasing to carry it on, or
 - (ii) in respect of which the qualifying activity is treated as continuing under section 343(2) of ICTA.”
- 543 In section 155(1) (changes in the persons carrying on qualifying activity) for paragraph (b) substitute—
- “(b) the only changes in the persons carrying on the qualifying activity since the shipowner carried it on are changes—
- (i) which do not involve all of the persons carrying it on before the changes permanently ceasing to carry it on, or
 - (ii) in respect of which the qualifying activity is treated as continuing under section 343(2) of ICTA.”
- 544 In section 156 (connected persons) for subsection (2) substitute—
- “(2) The condition is that the only changes in the persons carrying on the qualifying activity since A carried it on are changes—
- (a) which do not involve all of the persons carrying it on before the changes permanently ceasing to carry it on, or

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- (b) in respect of which the qualifying activity is treated as continuing under section 343(2) of ICTA.”
- 545 In section 162(2) (ring fence trade a separate qualifying activity)—
- (a) in paragraph (a), after “fall within” insert “the definition of “oil-related activities” in section 16(2) of ITTOIA 2005 or within”, and
 - (b) in paragraph (b), after “as a result of” insert “section 16(1) of ITTOIA 2005 or”.
- 546 In section 248 (ordinary Schedule A businesses)—
- (a) for “Schedule A” substitute “property”, and
 - (b) in the side-note for “Schedule A” substitute “property”.
- 547 In section 252 (mines, transport undertakings etc)—
- (a) after “is a concern listed in” insert “section 12(4) of ITTOIA 2005 or”, and
 - (b) after “the profits of the concern under” insert “Chapter 2 of Part 2 of ITTOIA 2005 or, as the case may be, under”.
- 548 In section 258(4) (special leasing: income tax) for “taxed under Case VI of Schedule D” substitute “assessed to income tax”.
- 549 (1) Amend section 263 (qualifying activities carried on in partnership) as follows.
- (2) In subsection (1) for paragraph (c) substitute—
“(c) the following condition is met.”
 - (3) After that subsection insert—
“(1A) The condition is that—
 - (a) the change does not involve all of the partners permanently ceasing to carry on the qualifying activity, or
 - (b) the change does not result in the qualifying activity being treated under section 18 or 362 of ITTOIA 2005 as permanently ceasing to be carried on by a company or treated as discontinued under section 337(1) of ICTA (companies beginning or ceasing to carry on trade etc.).”
- 550 (1) Amend section 265 (successions: general) as follows.
- (2) In subsection (1) for paragraph (b) substitute—
“(b) the following condition is met.”
 - (3) After that subsection insert—
“(1A) The condition is that—
 - (a) all of the persons carrying on the qualifying activity before the succession permanently cease to carry it on, or
 - (b) the qualifying activity is treated under section 18 or 362 of ITTOIA 2005 as permanently ceasing to be carried on by a company or treated as discontinued under section 337(1) of ICTA (companies beginning or ceasing to carry on trade etc.).”
- 551 In 268(1) (successions by beneficiaries) for paragraph (b) and the word “and” at the end of that paragraph substitute—
- “(b) all of the persons carrying on the qualifying activity before the succession permanently cease to carry it on, and”.

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- 552 In section 282 (buildings outside the United Kingdom) for “applicable to Case I of Schedule D” substitute “that apply in calculating trade profits for income tax purposes or that apply to Case I of Schedule D for corporation tax purposes”.
- 553 In section 326(1) (interpretation of section 325) in the definition of “premium”—
- (a) after “corresponds to” insert “—
(a),
and
 - (b) at end insert “, or
(b) an amount brought into account as a receipt in calculating the profits of a UK property business under sections 277 to 281 of ITTOIA 2005 that is calculated by reference to the sum;”.
- 554 In section 331(1)(b) (capital value provisions: interpretation)—
- (a) after “corresponds to” insert “—
(i),
and
 - (b) at end insert “, or
(ii) an amount brought into account as a receipt in calculating the profits of a UK property business under sections 277 to 281 of ITTOIA 2005 that is calculated by reference to the sum.”
- 555 (1) Amend section 353 (lessors and licensors) as follows.
- (2) In subsection (2) for “a Schedule A business” substitute “a UK property business, or a Schedule A business.”
- (3) After subsection (3) insert—
- “(3A) If the person is within the charge to income tax in respect of the allowance or charge and his interest in the building is not an asset of any property business carried on by him at any time in the relevant period, the allowance or charge is to be given effect by treating him as if he had been carrying on a UK property business in that period and as if—
- (a) the allowance were an expense of that business, and
 - (b) the charge were a receipt of that business.”
- (4) In subsection (4)—
- (a) for “the person's” substitute “the person is a company within the charge to corporation tax in respect of the allowance or charge and its”,
 - (b) for “him”, in the first place where it occurs, substitute “it”,
 - (c) for “him”, in the second place where it occurs, substitute “the company”, and
 - (d) for “he” substitute “it”.
- 556 (1) Amend section 354 (buildings temporarily out of use) as follows.
- (2) In subsection (3)—
- (a) after “as may be made under” insert “section 254 of ITTOIA 2005 or”, and
 - (b) after “chargeable to tax under” insert “Chapter 18 of Part 2 of ITTOIA 2005 or, as the case may be, under”.

- (3) In subsection (5) for “section 113(1)” to the end substitute “section 18 of ITTOIA 2005 or section 337(1) of ICTA (effect of company ceasing to trade etc).”
- 557 In section 390(1) (interpretation of section 389) in the definition of “premium”—
- (a) after “corresponds to” insert “—
(a),
and
 - (b) at end insert “, or
(b) an amount brought into account as a receipt in calculating the profits of a UK property business under sections 277 to 281 of ITTOIA 2005 that is calculated by reference to the sum;”.
- 558 (1) Amend section 392 (Schedule A businesses) as follows.
- (2) In subsection (2) for “a Schedule A business” substitute “a UK property business, or a Schedule A business;”.
 - (3) After that subsection insert—
 - “(2A) If the person is within the charge to income tax in respect of the allowance or charge and he was not carrying on a UK property business at any time in that period, the allowance or charge is to be given effect by treating him as if he had been carrying on such a business in that period and as if—
 - (a) the allowance were an expense of that business, and
 - (b) the charge were a receipt of that business.”
 - (4) In subsection (3)—
 - (a) after “the person” insert “is a company within the charge to corporation tax in respect of the allowance or charge and it”,
 - (b) for “him” substitute “the company”, and
 - (c) for “he” substitute “it”.
 - (5) In the sidenote for “Schedule A” substitute “UK property and Schedule A”.
- 559 In section 393B(4) (meaning of “qualifying expenditure”) after “the profits of a” insert “UK property business or”
- 560 (1) Amend section 393T (giving effect to allowances and charges) as follows.
- (2) In subsection (2) for “a Schedule A business” substitute “a UK property business, or a Schedule A business;”.
 - (3) After that subsection insert—
 - “(2A) If the person is within the charge to income tax in respect of the allowance or charge and his interest in the flat is not an asset of a UK property business carried on by him at any time in that period, the allowance or charge is to be given effect by treating him as if he had been carrying on a UK property business in that period and as if—
 - (a) the allowance were an expense of that business, and
 - (b) the charge were a receipt of that business.”
 - (4) In subsection (3)—

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- (a) for “the person's” substitute “the person is a company within the charge to corporation tax in respect of the allowance or charge and its”,
 - (b) for “him”, in both places where it occurs, substitute “the company”, and
 - (c) for “he” substitute “it”.
- 561 (1) Amend section 406 (reduction where premium relief previously allowed) as follows.
- (2) In subsection (1) for “section 87 of ICTA” substitute “sections 60 to 67 of ITTOIA 2005 or under sections 87 and 87A of ICTA”.
 - (3) In subsection (2) for “section 87 of ICTA” substitute “sections 60 to 67 of ITTOIA 2005 or under sections 87 and 87A of ICTA”.
- 562 In section 454(1)(c) (qualifying expenditure) after “an election under” insert “section 194 of ITTOIA 2005 or under”.
- 563 In section 455(4) (excluded expenditure) after “goodwill under” insert “section 194(3) of ITTOIA 2005 or under”.
- 564 In section 462(3) (disposal values) after “goodwill under” insert “section 194(2) of ITTOIA 2005 or under”.
- 565 In section 479(4) (persons having qualifying non-trade expenditure: income tax) for “taxed under Case VI of Schedule D” substitute “assessed to income tax”.
- 566 In section 481(5)(b) (anti-avoidance: limit on qualifying expenditure) after “in accordance with section” insert “587 of ITTOIA 2005 or section”.
- 567 In section 483(c) (meaning of “income from patents”) after “payable under” insert “section 587, 593 or 594 of ITTOIA 2005 or under”.
- 568 In section 488(3)(a) (balancing allowances) for “section 113(1)” to “to trade etc.” substitute “section 18 of ITTOIA 2005 or section 337(1) of ICTA (effect of company ceasing to trade etc.)”.
- 569 (1) Amend section 529 (giving effect to allowances and charges) as follows.
- (2) In subsection (1) for “a Schedule A business” substitute “a UK property business, or a Schedule A business,”.
 - (3) After that subsection insert—
 - “(1A) If the person entitled or liable to an allowance or charge for a chargeable period is within the charge to income tax in respect of the allowance or charge and he was not carrying on a UK property business at any time in that period, the allowance or charge is to be given effect by treating him as if he had been carrying on such a business in that period and as if—
 - (a) the allowance were an expense of that business, and
 - (b) the charge were a receipt of that business.”
 - (4) In subsection (2)—
 - (a) for the words from the beginning to “chargeable period” substitute “If the person entitled or liable to an allowance or charge for a chargeable period is a company within the charge to corporation tax in respect of the allowance or charge and it”,
 - (b) for “him” substitute “the company”, and
 - (c) for “he” substitute “it”.

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- 570 In section 536(5)(a) (contributions not made by public bodies and not eligible for tax relief)—
- (a) in sub-paragraph (i) for “Schedule A” substitute “property”, and
 - (b) in sub-paragraph (v) after “listed in” insert “section 12(4) of ITTOIA 2005 or”.
- 571 In section 558(1)(c) (effect of partnership changes) for the words from “result in” to the end substitute “—
- (i) involve all of the persons carrying on the relevant activity before the change permanently ceasing to carry it on, or
 - (ii) result in the relevant activity being treated under section 18 or 362 of ITTOIA 2005 as permanently ceasing to be carried on by a company or treated as discontinued under section 337(1) of ICTA (companies beginning or ceasing to carry on trade etc.).”
- 572 (1) Amend section 559 (effect of successions) as follows.
- (2) In subsection (1) for paragraph (b) substitute—
- “(b) the following condition is met.”
- (3) After that subsection insert—
- “(1A) The condition is that—
- (a) all of the persons carrying on the relevant activity before the succession permanently cease to carry it on, or
 - (b) the relevant activity is treated under section 18 or 362 of ITTOIA 2005 as permanently ceasing to be carried on by a company or treated as discontinued under section 337(1) of ICTA (companies beginning or ceasing to carry on trade etc.).”
- 573 In section 577(1) (definitions) in the definition of “property business” after “means” insert “a UK property business”.
- 574 (1) Amend Schedule 1 (abbreviations and defined expressions) as follows.
- (2) In Part 1 in the appropriate place insert—

“ITTOIA 2005	The Income Tax (Trading and Other Income) Act 2005”.
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- (3) In Part 2—
- (a) in the entry for “ordinary Schedule A business” for “Schedule A” substitute “property”,
 - (b) in the entry for “overseas property business” for “65A(4), 70A(4) and 832(1) of ICTA” substitute “70A(4) and 832(1) of ICTA and Chapter 2 of Part 3 of ITTOIA 2005”, and
 - (c) in the appropriate place insert—

“UK property business	section 832(1) of ICTA and Chapter 2 of Part 3 of ITTOIA 2005”.
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Status: This is the original version (as it was originally enacted).

Finance Act 2002 (c. 23)

- 575 The Finance Act 2002 is amended as follows.
- 576 In section 64(1) (adjustment on change of basis) after “to be made for” insert “corporation”.
- 577 (1) Amend Schedule 16 (community investment tax relief) as follows.
- (2) In paragraph 27(2) omit “under Case VI of Schedule D”.
- (3) In paragraph 50(3), for “Chapter 1A of Part 15 of the Taxes Act 1988 (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of the Income Tax (Trading and Other Income) Act 2005 (see section 620 of that Act)”.
- 578 (1) Amend Schedule 22 (computation of profits: adjustment of change of basis) as follows.
- (2) In paragraph 2, in item 4 of the first step for “tax purposes” substitute “corporation tax purposes”.
- (3) In paragraph 3(2) for “, profession” to the end substitute “is not regarded as the same if section 337(1) of the Taxes Act 1988 applies (companies beginning or ceasing to carry on trade).”
- (4) For paragraph 4 substitute—
- “4 If the amount of the adjustment is positive, it is chargeable to corporation tax and is treated as receipt of the trade, profession or vocation arising on the last day of the first period of account for which the new basis is adopted.”
- (5) In paragraph 9—
- (a) in sub-paragraph (1) for “person who is chargeable to tax” substitute “company which is chargeable to corporation tax”,
- (b) in sub-paragraph (2)(c) for “the time allowed” substitute “twelve months of the end of the first accounting period to which the new basis applies”,
- (c) omit sub-paragraph (3),
- (d) in sub-paragraph (4) for “tax” substitute “corporation tax”, and
- (e) in sub-paragraph (5) for “tax”, in each place where it occurs, substitute “corporation tax”.
- (6) Omit paragraphs 11 and 12.
- (7) In paragraph 13—
- (a) in sub-paragraph (1) for “computed” to the end substitute “computed as if the partnership were a company resident in the United Kingdom”, and
- (b) omit sub-paragraphs (3), (4) and (6).
- (8) Omit paragraph 14.
- (9) For paragraph 15 substitute—
- “15 In this Schedule “adjustment charge” means a charge under Part 2 of this Schedule.”
- (10) In paragraph 17—
- (a) in sub-paragraph (2) omit paragraph (a), and

- (b) in sub-paragraph (3) omit “9ZA or” and “personal, trustee or”.
- 579 (1) Amend paragraph 64 of Schedule 25 (transitional provisions concerning loan relationships in the case of authorised unit trusts and open-ended investment companies) as follows.
- (2) At the beginning of sub-paragraph (7) insert “Subject to sub-paragraph (9),”.
- (3) After sub-paragraph (8) insert—
- “(9) So far as sub-paragraphs (3) to (6) are capable of applying at any time after 5th April 2005—
- (a) they have effect as if any reference in them to a relevant discounted security were a reference to a security that is a deeply discounted security for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (profits from deeply discounted securities) (see 430 of that Act), and
- (b) in those sub-paragraphs—
- “redeem” means make a disposal, within the meaning of that Chapter (except by a transfer within the meaning of that Chapter), or convert as mentioned in section 437(1)(c) of that Act, and
- “transfer” has the same meaning as in that Chapter.”
- 580 In Schedule 29 (gains and losses of a company from intangible fixed assets), in paragraph 101(3), for “Chapter 1A of Part 15 of the Taxes Act 1988 (settlements: liability of settlor) (see section 660G(1) and (2) of that Act)” substitute “Chapter 5 of Part 5 of the Income Tax (Trading and Other Income) Act 2005 (see section 620 of that Act)”.

Proceeds of Crime Act 2002 (c. 29)

- 581 The Proceeds of Crime Act 2002 is amended as follows.
- 582 In section 319(2) (source of income) for “Case 6 of Schedule D” substitute “Chapter 8 of Part 5 of the Income Tax (Trading and Other Income) Act 2005”.
- 583 (1) Amend Schedule 10 (tax) as follows.
- (2) In paragraph 2(7) (introductory) at the end insert “, and “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005”.
- (3) In paragraph 5 (relevant discounted securities)—
- (a) for “relevant” substitute “deeply”, and
- (b) for the words from “Schedule 13” to “c.8)” and “that Schedule” substitute respectively “Chapter 8 of Part 4 of ITTOIA 2005” and “that Chapter”.
- (4) In paragraph 6 (rights to receive amounts stated in certificates of deposit etc.)—
- (a) after “deposit etc.” insert “, or a right falling within the definition of “deposit rights” in section 552(1) of ITTOIA 2005”, and
- (b) for the words “of that Act”, in the second place where they occur, substitute “of the Taxes Act 1988 or Chapter 11 of Part 4 of ITTOIA 2005”.
- (5) In paragraph 8 (futures and options)—

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- (a) for “paragraph 4 of Schedule 5AA to the Taxes Act 1988” substitute “section 562 of ITTOIA 2005”, and
 - (b) for “that Schedule” substitute “Chapter 12 of Part 4 of that Act”.
- (6) In paragraph 11 (trading stock)—
- (a) in sub-paragraph (3) after “1988” insert “or section 173 of ITTOIA 2005” and after “discontinuance” insert “or cessation”, and
 - (b) in sub-paragraph (4) for “that section” substitute “section 100 of the Taxes Act 1988 or (as the case may be) section 174 of ITTOIA 2005”.

Income Tax (Earnings and Pensions) Act 2003 (c. 1)

- 584 The Income Tax (Earnings and Pensions) Act 2003 is amended as follows.
- 585 In section 6(5) (exception to charge to tax on employment income for income of divers and diving supervisors) for the words from “Case I” to “ICTA” substitute “Part 2 of ITTOIA 2005 (trading income) by virtue of section 15 of that Act”.
- 586 In section 61(1) (application of provisions to workers under arrangements made by intermediaries: interpretation) in the definition of “business” after “includes a” insert “UK property business or”.
- 587 In section 178 (exception for loans where interest qualifies for tax relief)—
- (a) in paragraph (c)—
 - (i) for “under Case I or II of Schedule D” substitute “to tax”, and
 - (ii) after “carried on” insert “wholly or partly in the United Kingdom”, and
 - (b) in paragraph (d) for “under Schedule A in respect of a Schedule A business” substitute “to tax in respect of a UK property business, or a Schedule A business,”.
- 588 In section 180(5) (threshold for benefit of loan to be treated as earnings)—
- (a) in paragraph (c)—
 - (i) for “under Case I or II of Schedule D” substitute “to tax”, and
 - (ii) after “carried on” insert “wholly or partly in the United Kingdom”, and
 - (b) in paragraph (d) for “under Schedule A in respect of a Schedule A business” substitute “to tax in respect of a UK property business, or a Schedule A business,”.
- 589 In section 189(3)(a) (exception where double charge) for “section 677 of ICTA (sums paid to settlor otherwise than as income)” substitute “section 633 of ITTOIA 2005 (capital sums paid to settlor by trustees of settlement)”.
- 590 In section 215 for “section 331(1) of ICTA” substitute “section 776(1) of ITTOIA 2005”.
- 591 In section 302(4) (exemption of consular employees' employment income), in the definition of “reciprocal arrangement”, for “and section 322 of ICTA” substitute “, sections 646A and 681A of this Act and section 771 of ITTOIA 2005 (relevant foreign income of consular officers and employees)”.
- 592 After section 325 insert—

“325A Health and employment insurance payments

- (1) No liability to income tax in respect of employment income arises on any payment if or to the extent that—
 - (a) were the payment an annual payment falling within Chapter 7 of Part 5 of ITTOIA 2005, it would be exempt from income tax under section 735 of that Act (health and employment insurance payments), and
 - (b) it meets conditions A and B.
- (2) Condition A is that the payments are made—
 - (a) to a person (“the employee”) who made payments or contributions in respect of premiums under an insurance policy which another person took out wholly or partly for the employee’s benefit, or
 - (b) to the employee’s husband or wife.
- (3) Condition B is that the payments are attributable on a just and reasonable basis to the payments or contributions in respect of premiums.”

593 In section 357(2) (business entertainment and gifts: exception where employer’s expenses disallowed) after “disallowed under” insert “section 45 or 867 of ITTOIA 2005 or under”.

594 In Chapter 2 of Part 5, after section 360 insert—

“360A Social security contributions

- (1) No deduction from earnings is allowed under this Chapter for any contribution paid by any person under Part 1 of SSCBA 1992 or Part 1 of SSCB(NI)A 1992.
- (2) But this prohibition does not apply to an employer’s contribution (see subsection (3)) which is allowable as a deduction—
 - (a) under section 336 (the general rule),
 - (b) under any of sections 337 to 342 (travel expenses), or
 - (c) under section 351(1) (expenses of ministers of religion).
- (3) For this purpose “an employer’s contribution” means—
 - (a) a secondary Class 1 contribution,
 - (b) a Class 1A contribution, or
 - (c) a Class 1B contribution,within the meaning of Part 1 of SSCBA 1992 or Part 1 of SSCB(NI)A 1992.”

595 In section 394(2) (charge on benefit to which Chapter 2 of Part 6 applies) for “to tax under Case VI of Schedule D” substitute “to income tax”.

596 In section 397(1) (certain lump sums: calculation of amount taxed by virtue of section 394) for “Case VI of Schedule D” substitute “subsection (2) of that section”.

597 In section 399(1)(b) (employment-related loans: interest treated as paid) omit “under Case VI of Schedule D”.

598 In section 476 (charge on occurrence of chargeable event) for subsection (5) substitute—

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“(5) If the employee has been divested of the employment-related securities option by operation of law—

- (a) income tax is charged on the amount determined under section 478, and
- (b) the person liable for any tax so charged is the relevant person in relation to the chargeable event (see section 477(7)).”

599 In section 477(7) (chargeable events) for “(charge under Case VI of Schedule D)” substitute “(charge to income tax)”.

600 (1) Amend section 493 (no charge on acquisition of dividend shares) as follows.

(2) Omit subsections (1), (2) and (4).

(3) After subsection (3) insert—

“(3A) For the exemption of such amounts from income tax, see section 770 of ITTOIA 2005 (amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment).”

601 For section 496 (no charge on cash dividend retained for reinvestment) substitute—

“496 No charge on cash dividend retained for reinvestment

For the exemption from income tax of amounts retained under paragraph 68(2) of Schedule 2 (amount of cash dividend not reinvested), see section 770 of ITTOIA 2005 (amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment).”

602 In section 497(3) (limitations on charges on shares ceasing to be subject to plan) for the words from “as” to the end substitute “under Chapter 3 or 4 of Part 4 of ITTOIA 2005 (dividends etc. from UK or non-UK resident companies etc.) as a result of section 394(2) or 407(2) of that Act (distribution or dividend payment when dividend shares cease to be subject to plan).”

603 In section 502(4)(a) (meaning of “capital receipt” in section 501) at the end insert “or section 770 of ITTOIA 2005 (exemption for amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment)”.

604 (1) Amend section 515 (tax advantages and charges under other Acts) as follows.

(2) In subsection (1) omit paragraph (a).

(3) In subsection (2) omit “and” at the end of paragraph (a).

(4) In subsection (2) at the end of paragraph (b) insert “, and

- (c) sections 392 to 395 and 405 to 408 of ITTOIA 2005 (SIPs: special rules for charges under Chapters 3 and 4 of Part 4 of that Act (dividends etc. from UK or non-UK resident companies etc.)) and section 770 of that Act (exemption for amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment).”

605 In section 516(4) (approved SAYE option schemes), in the definition of “SAYE option scheme”, for “approved savings schemes” substitute “approved savings arrangements”.

606 (1) Amend section 575 (taxable pension income: foreign pensions) as follows.

- (2) In subsection (1) for the words “the amount” onwards substitute “the full amount of the pension income arising in the tax year, but subject to subsections (2) and (3).”
- (3) For subsection (2) substitute—
- “(2) The full amount of the pension income arising in the tax year is to be calculated on the basis that the pension is 90% of its actual amount, unless as a result of subsection (3) the pension income is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).
- (3) That pension income is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of that Act (relevant foreign income: remittance basis and deductions and reliefs).
- (4) But if that pension income arises in the Republic of Ireland, section 839 of that Act (annual payments payable out of relevant foreign income) applies with the omission of condition B and subsection (5)(a).
- (5) See also Chapter 4 of that Part (unremittable income).”
- 607 (1) Amend section 613 (taxable pension income: foreign annuities) as follows.
- (2) In subsection (2) for the words “the amount” onwards substitute “the full amount of the annuity arising in the tax year, but subject to subsections (3) and (4).”
- (3) For subsections (3) and (4) substitute—
- “(3) The full amount of the annuity arising in the tax year is to be calculated on the basis that the annuity is 90% of its actual amount, unless as a result of subsection (4) the annuity is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).
- (4) The annuity is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of that Act (relevant foreign income: remittance basis and deductions and reliefs).
- (5) But if the annuity arises in the Republic of Ireland, section 839 of that Act (annual payments payable out of relevant foreign income) applies with the omission of condition B and subsection (5)(a).
- (6) See also Chapter 4 of that Part (unremittable income).”
- 608 (1) Amend section 631 (taxable pension income: pre-1973 pensions paid under the Overseas Pensions Act 1973) as follows.
- (2) In subsection (1) for the words “the amount” onwards substitute “the full amount of the pension income arising in the tax year”.
- (3) For subsection (2) substitute—
- “(2) The full amount of the pension income arising in the tax year is to be calculated on the basis that the pension is 90% of its actual amount.
- (3) The pension income is treated as relevant foreign income for the purposes of section 838 of that Act (expenses attributable to collection or payment of relevant foreign income).”

Status: This is the original version (as it was originally enacted).

- 609 (1) Amend section 635 (taxable pension income: foreign voluntary annual payments) as follows.
- (2) In subsection (2) for the words “the amount” onwards substitute “the full amount of the pension income arising in the tax year, but subject to subsections (3) and (4)”.
- (3) For subsection (3) substitute—
- “(3) The full amount of the pension income arising in the tax year is to be calculated on the basis that the pension is 90% of its actual amount, unless as a result of subsection (4) the pension income is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).
- (4) That pension income is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of that Act (relevant foreign income: remittance basis and deductions and reliefs).
- (5) But if that pension income arises in the Republic of Ireland, section 839 of that Act (annual payments payable out of relevant foreign income) applies with the omission of condition B and subsection (5)(a).
- (6) See also Chapter 4 of that Part (unremittable income).”

610 After section 644 insert—

“644A Health and employment insurance payments

- (1) No liability to income tax arises in respect of a pension or annuity payment if or to the extent that—
- (a) were the payment an annual payment falling within Chapter 7 of Part 5 of ITTOIA 2005, it would be exempt from income tax under section 735 of that Act (health and employment insurance payments), and
- (b) it meets conditions A and B.
- (2) Condition A is that the payments are made—
- (a) to a person (“the pensioner”) who made payments or contributions in respect of premiums under an insurance policy which another person took out wholly or partly for the pensioner’s benefit, or
- (b) to the pensioner’s husband or wife.
- (3) Condition B is that the payments are attributable on a just and reasonable basis to the payments or contributions in respect of premiums.”

611 After section 646 insert—

“646A Foreign pensions of consular employees

- (1) No liability to income tax arises in respect of foreign pension income of a consular officer or employee in the United Kingdom for a foreign state if—
- (a) Her Majesty by Order in Council directs that this section applies to the foreign state for the purpose of giving effect to a reciprocal arrangement with that state, and
- (b) the officer or employee meets conditions A to C.

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- (2) Condition A is that the officer or employee is not—
- (a) a British citizen,
 - (b) a British overseas territories citizen,
 - (c) a British National (Overseas), or
 - (d) a British Overseas citizen.
- (3) Condition B is that the officer or employee is not engaged in any trade, profession, vocation or employment in the United Kingdom, otherwise than as a consular officer or employee of the state in question.
- (4) Condition C is that the officer or employee—
- (a) is a permanent employee of that state, or
 - (b) was not ordinarily resident in the United Kingdom immediately before becoming a consular officer or employee in the United Kingdom of that state.
- (5) In this section—
- “consular officer or employee” includes any person employed for the purposes of the official business of a consular officer at—
- (a) any consulate,
 - (b) any consular establishment, or
 - (c) any other premises used for those purposes,
- “foreign pension income” means—
- (a) income to which section 573 or 629 applies, and
 - (b) income arising from a source outside the United Kingdom to which section 609, 610, 611 or 633 applies; and
- “reciprocal agreement” has the same meaning as in section 302.
- (6) Section 302(5) to (7) apply to an Order under subsection (1) and the operation of this section as they apply to an Order under section 302(1) and the operation of section 302.”
- 612 In section 655(2) (structure of Part 10) for the entries relating to sections 84 and 85 of FA 2000 substitute—
- “section 781 of ITTOIA 2005 (exemption from income tax for payments under New Deal 50plus);
section 782 of ITTOIA 2005 (exemption from income tax for payments under employment zone programmes).”
- 613 (1) Amend section 679 (taxable social security income: foreign benefits) as follows.
- (2) In subsection (1) for the words “the amount” onwards substitute “the full amount of the social security income arising in the tax year, but subject to subsection (2).”
- (3) For subsection (2) substitute—
- “(2) That income is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of ITTOIA 2005 (relevant foreign income: remittance basis and deductions and reliefs).
- (3) See also Chapter 4 of that Part (unremittable income).”
- 614 After section 681 insert—

Status: This is the original version (as it was originally enacted).

“681A Foreign benefits of consular employees

- (1) No liability to income tax arises in respect of any benefit to which section 678 applies of a consular officer or employee in the United Kingdom for a foreign state if—
- (a) Her Majesty by Order in Council directs that this section applies to the foreign state for the purpose of giving effect to a reciprocal arrangement with that state, and
 - (b) the officer or employee meets conditions A to C.
- (2) Condition A is that the officer or employee is not—
- (a) a British citizen,
 - (b) a British overseas territories citizen,
 - (c) a British National (Overseas), or
 - (d) a British Overseas citizen.
- (3) Condition B is that the officer or employee is not engaged in any trade, profession, vocation or employment in the United Kingdom, otherwise than as a consular officer or employee of the state in question.
- (4) Condition C is that the officer or employee—
- (a) is a permanent employee of that state, or
 - (b) was not ordinarily resident in the United Kingdom immediately before becoming a consular officer or employee in the United Kingdom of that state.
- (5) In this section—
- “consular officer or employee” includes any person employed for the purposes of the official business of a consular officer at—
- (a) any consulate,
 - (b) any consular establishment, or
 - (c) any other premises used for those purposes, and
- “reciprocal agreement” has the same meaning as in section 302.
- (6) Section 302(5) to (7) apply to an Order under subsection (1) and the operation of this section as they apply to an Order under section 302(1) and the operation of section 302.”

615 After section 716 (alteration of amounts by Treasury order) insert—

“Priority rule for certain dividends etc

716A Priority rule for dividends etc. of UK resident companies etc.

Any income, so far as it falls within—

- (a) Part 2, 9 or 10 of this Act, and
- (b) Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.),

is dealt with under Chapter 3 of Part 4 of ITTOIA 2005.”

616 (1) Amend Schedule 1 (abbreviations and defined expressions) as follows.

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(2) In Part 1 in the appropriate place insert—

“ITTOIA 2005	The Income Tax (Trading and Other Income) Act 2005”.
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(3) In Part 2 in the appropriate place insert—

“UK property business	section 832(1) of ICTA and Chapter 2 of Part 3 of ITTOIA 2005”.
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617 (1) Amend Schedule 2 (approved share incentive plans) as follows.

(2) In paragraph 22(3), for “Chapter 1A of Part 15 of ICTA (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.

(3) In paragraph 79(4) for the words from “section 68B(2)” to the end substitute “Chapter 3 or 4 of Part 4 of ITTOIA 2005 (dividends etc. from UK or non-UK resident companies etc.) as a result of section 394(2) or 407(2) of that Act (distribution or dividend payment when dividend shares cease to be subject to plan).”

(4) In paragraph 80(3)(b) (other duties of trustees in relation to tax liabilities) for “Case V of Schedule D or Schedule F” substitute “Chapter 3 or 4 of Part 4 of ITTOIA 2005 (dividends etc. from UK or non-UK resident companies etc.)”.

(5) In paragraph 86(4)(c) at end insert “that is issued in a case where section 410(2) or (3) of ITTOIA 2005 applies”.

(6) In paragraph 87(2)(d) for sub-paragraph (ii) substitute—

“(ii) sections 392 to 395 and 405 to 408 of ITTOIA 2005 (SIPs: special rules for charges under Chapters 3 and 4 of Part 4 of that Act (dividends etc. from UK or non-UK resident companies etc.)) and section 770 of that Act (exemption for amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment).”

618 (1) Amend Schedule 3 (approved SAYE option schemes) as follows.

(2) In paragraph 1(3) for “savings scheme” substitute “savings arrangement”.

(3) In paragraph 2(1)(b) for “savings schemes” substitute “savings arrangements”.

(4) In paragraph 14(3), for “Chapter 1A of Part 15 of ICTA (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.

(5) In paragraph 23—

(a) in the heading (including the Part heading), for “scheme” substitute “arrangement”, and

(b) for “savings schemes”, in both places where it occurs, substitute “savings arrangements”.

(6) In paragraph 24(1)—

(a) in the heading, for “schemes” substitute “arrangements”,

(b) for “CCS scheme” substitute “certified SAYE savings arrangement”, and

(c) for “(“the CCS scheme”)” substitute “(“the approved savings arrangement”)”.

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- (7) Omit paragraph 24(2).
- (8) In paragraph 25—
- (a) in the heading, for “schemes” substitute “arrangements”,
 - (b) in sub-paragraph (1), for “CCS scheme” substitute “the approved savings arrangement”, and
 - (c) in sub-paragraph (3)(a), for “CCS schemes linked to approved SAYE option schemes” substitute “certified SAYE savings arrangements linked to approved SAYE option schemes”.
- (9) In paragraph 26—
- (a) in the heading, for “scheme” substitute “arrangement”,
 - (b) in sub-paragraph (1), for “CCS scheme” substitute “certified SAYE savings arrangement”, and
 - (c) in sub-paragraph (2), for “scheme” substitute “arrangement”.
- (10) In paragraph 30(3), for “the CCS scheme” substitute “the approved savings arrangement”.
- (11) In paragraph 48(1)—
- (a) for “certified contractual savings scheme” substitute “certified SAYE savings arrangement”, and
 - (b) for “section 326(2) to (6) of ICTA” substitute “section 703(1) of ITTOIA 2005”.
- (12) In paragraph 49, for “certified contractual savings scheme (CCS scheme)” substitute “certified SAYE savings arrangement”.
- 619 In Schedule 4 (approved CSOP schemes), in paragraph 12(3), for “Chapter 1A of Part 15 of ICTA (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.
- 620 (1) Amend Schedule 5 (enterprise management incentives) as follows.
- (2) In paragraph 27(3)(a), for “under Case I or II of Schedule D” substitute “as the profits of a trade, profession or vocation carried on wholly or partly in the United Kingdom”.
 - (3) In paragraph 31(3), for “Chapter 1A of Part 15 of ICTA (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.

Finance Act 2003 (c. 14)

- 621 The Finance Act 2003 is amended as follows.
- 622 In section 151(2) (non-resident companies: extent of charge to income tax)—
- (a) for paragraph (a) substitute—
 - “(a) income (other than relevant foreign income) chargeable to tax under—
 - (i) Chapter 2, 7, 8, 10 or 11 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (interest, purchased life annuity payments, profits from deeply discounted securities, distributions from unauthorised unit trusts and transactions in deposits),

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- (ii) section 579 of that Act so far as it relates to annual payments (royalties etc. from intellectual property),
 - (iii) Chapter 4 of Part 5 of that Act so far as it relates to annual payments (certain telecommunication rights: non-trading income), or
 - (iv) Chapter 7 of Part 5 of that Act (annual payments not otherwise charged),
 - (aa) income chargeable to tax under Chapter 3 of Part 4 of that Act (dividends etc. from UK resident companies etc.),”
and
 - (b) omit paragraph (b).
- 623 Omit section 176 (foster carers).
- 624 (1) Amend Schedule 24 (restriction of deductions for employee benefit contributions) as follows.
 - (2) In paragraph 1—
 - (a) in sub-paragraph (1)(a) for “tax purposes” substitute “corporation tax purposes”, and
 - (b) in sub-paragraph (2)(a) for “he” substitute “the employer”.
 - (3) In paragraph 3(a) for “tax purposes” substitute “corporation tax purposes”.
 - (4) In paragraph 9(1) omit the definition of “for tax purposes”.
- 625 In Schedule 34 (policies of life insurance etc: miscellaneous amendments), in paragraph 15(1), after “1988” insert “or Chapter 9 of Part 4 of the Income Tax (Trading and Other Income) Act 2005”.
- 626 Omit Schedule 36 (foster carers).

Courts Act 2003 (c. 39)

- 627 In section 101(4)(a) of the Courts Act 2003 (bankruptcy of individuals with rights to receive periodical payments) for “section 329AA of the Income and Corporation Taxes Act 1988” substitute “section 731 of the Income Tax (Trading and Other Income) Act 2005”.

Child Trust Funds Act 2004 (c. 6)

- 628 In section 14(1) of the Child Trust Funds Act 2004 (insurance companies and friendly societies) for “section 333 business” substitute “plan business”.

Finance Act 2004 (c. 12)

- 629 The Finance Act 2004 is amended as follows.
- 630 In section 71(3)(b) (collection and recovery of sums to be deducted: construction industry scheme) for “any tax purposes” substitute “any corporation tax purpose (but see also sections 54 and 869 of the Income Tax (Trading and Other Income) Act 2005 for corresponding rule for income tax purposes)”.
- 631 Omit section 97 (exemption from income tax for certain interest and royalty payments: introductory).

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- 632 Omit section 98 (exemption from income tax for certain interest and royalty payments).
- 633 Omit section 99 (permanent establishments and “25% associates”).
- 634 Omit section 100 (interest payments: exemption notices).
- 635 (1) Amend section 101 (payment of royalties without deduction at source) as follows.
- (2) In subsection (1) for “section 98” substitute “section 758 (exemption from income tax for certain interest and royalty payments) of the Income Tax (Trading and Other Income) Act 2005”.
- (3) In each of subsections (2) and (3) for “section 98” substitute “section 758 of the Income Tax (Trading and Other Income) Act 2005”.
- (4) In subsection (5)—
- (a) in paragraph (a) for “section 98” substitute “section 758 of the Income Tax (Trading and Other Income) Act 2005”, and
- (b) in paragraph (b) for “Conditions 1 to 3 in section 98” substitute “conditions A to C in that section”.
- (5) After subsection (7) insert—
- “(8) In a case where section 763 of the Income Tax (Trading and Other Income) Act 2005 (special relationships) applies, this section has effect in relation to only so much of the payment as does not exceed the arm’s length amount (within the meaning of that section).
- (9) Expressions used in this section and in sections 757 to 767 of the Income Tax (Trading and Other Income) Act 2005 have the same meaning in this section as in those sections.”
- 636 In section 102 (claim for tax deducted at source from exempt interest or royalty payments) for “section 98” substitute “section 758 of the Income Tax (Trading and Other Income) Act 2005”.
- 637 Omit section 103 (special relationships).
- 638 Omit section 104 (anti-avoidance).
- 639 Omit section 106 (transitional provision).
- 640 In section 119(4) (individuals benefited by film relief) for “, the individual shall” to the end substitute “—
- (a) the individual shall be treated as receiving at the time of that event an amount of income equal to the chargeable amount;
- (b) that income (which shall not be treated as profits of the trade) shall be chargeable to income tax for the year of assessment in which the event occurs; and
- (c) the individual shall be liable for any tax so chargeable.”
- 641 In section 123(1) (meaning of “film-related loss”) for “any of the following” to the end substitute “any provision of Chapter 9 of Part 2 of the Income Tax (Trading and Other Income) Act 2005.”
- 642 In section 127(2) (losses derived from exploiting licence: individuals in partnership (charge to income tax)) for “, so much of” to the end substitute “—

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- (a) the individual shall be treated as receiving in that year of assessment an amount of income equal to so much of the total consideration as does not exceed the chargeable amount;
 - (b) that income (which shall not be treated as profits of the trade) shall be chargeable to income tax for that year of assessment; and
 - (c) the individual shall be liable for any tax so chargeable.”
- 643 (1) Amend section 130 (“A significant amount of time”) as follows.
 - (2) In subsection (3) for “sections 60 to 63” to the end substitute “Chapter 15 of Part 2 of the Income Tax (Trading and Other Income) Act 2005 as applied by section 853 of that Act.”
 - (3) In subsection (4) for “section 61(1)” substitute “section 199(1)”.
- 644 In section 186(1)(b) (scheme investments: income) for “which would” to the end substitute “which are not relevant foreign income and which would otherwise be chargeable to income tax under Chapter 8 of Part 5 of ITTOIA 2005 (income not otherwise charged).”
- 645 (1) Amend section 189(2) (meaning of “relevant UK earnings”) as follows.
 - (2) In paragraph (b) for “Schedule D” substitute “Part 2 of ITTOIA 2005”.
 - (3) For paragraph (c) substitute—
 - “(c) income to which section 833(5B) of ICTA (patent income) applies.”
- 646 In section 196(2) (relief for employers in respect of contributions paid) after “the purposes of” insert “Part 2 of ITTOIA 2005 (trading income) or”.
- 647 In section 197(10)(a) (spreading relief) after “charged under” insert “Part 2 of ITTOIA 2005 (trading income) or”.
- 648 In section 199(2)(a) (deemed contributions) at the beginning insert “Part 2 of ITTOIA 2005 (trading income) or”.
- 649 In section 200(a) (no other relief for employers in connection with contributions) after “the purposes of” insert “Part 2 of ITTOIA 2005 (trading income) or”.
- 650 (1) Amend section 246 (restriction of deduction for non-contributory provision) as follows.
 - (2) In subsection (2)(a) after “the purposes of” insert “Part 2 of ITTOIA 2005 (trading income) or”.
 - (3) In subsection (3)(a) after “charged under” insert “Part 2 of ITTOIA 2005 (trading income) or”.
- 651 (1) Amend section 249 of FA 2004 (amendments of ITEPA 2003) as follows.
 - (2) In subsection (3), in subsection (4) of the inserted section 393B—
 - (a) for paragraph (a) substitute—
 - “(a) an excepted group life policy as defined in section 480 of ITTOIA 2005,” and
 - (b) in paragraph (b) for the words from “condition 1” to the end of the paragraph substitute “—
 - (i) condition A in section 481 of that Act would be met if paragraph (a) in that condition referred

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- to the death, in any circumstances or except in specified circumstances, of that individual (rather than the death in any circumstances of each of the individuals insured under the policy) and if the condition did not include paragraph (b), and
- (ii) conditions C and D in that section and conditions A and C in section 482 of that Act are met, or”.
- (3) In subsection (8), in the inserted section 395 of ITEPA 2003, for “Case VI of Schedule D” substitute “subsection (2) of that section”.
- 652 In section 280(1) (abbreviations and general index for Part 4) omit the “and” before the definition of “ITEPA 2003” and after that definition insert “and
- “ITTOIA 2005” means the Income Tax (Trading and Other Income Act) 2005.”
- 653 (1) Amend Schedule 15 (charge to income tax on benefit received by former owner of property) as follows.
- (2) In paragraph 1 (introductory) insert in the appropriate place—
- ““ITTOIA 2005” means the Income Tax (Trading and Other Income Act) 2005;”.
- (3) In paragraph 8 (intangible property comprised in settlement where settlor retains an interest)—
- (a) in sub-paragraph (1)(a)—
- (i) for “section 660A of the Taxes Act 1988” substitute “section 624 of ITTOIA 2005”, and
- (ii) for “Part 15” substitute “Chapter 5 of Part 5”, and
- (b) in sub-paragraph (1)(b) for “subsection (2) of that section” substitute “section 625(1) of ITTOIA 2005 (settlor’s retained interest)”.
- (4) In paragraph 9(1) (intangible property comprised in settlement where settlor retains an interest), in the definition of “T”—
- (a) in paragraph (a), for “section 547 of the Taxes Act 1988” substitute “section 461 of ITTOIA 2005”,
- (b) in paragraph (b) for “section 660A of that Act” substitute “section 624 of that Act”, and
- (c) in paragraph (c) for “that Act” substitute “the Taxes Act 1988”.
- (5) In paragraph 22(3)(b) (election for application of inheritance tax provisions) for “section 660A of the Taxes Act 1988” substitute “section 624 of ITTOIA 2005”.
- 654 In paragraph 1(4) and (6) of Schedule 24, for the words from “(and” to “have” substitute “has”.
- 655 In paragraph 12 of Schedule 35 (pension schemes etc: minor and consequential amendments) for the words from “for” to the end substitute “for the words from the beginning to “, if the claimant” substitute “Subject to subsection (2) below, section 274 of this Act and sections 192 to 194 of the Finance Act 2004, if the claimant”.
- 656 (1) Amend Schedule 36 (pension schemes etc: transitional provisions and savings) as follows.

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- (2) In paragraph 41(a) (employers' contributions relieved before 6th April 2006) after “the purposes of” insert “Part 2 of ITTOIA 2005 (trading income) or”.
- (3) In paragraph 53(2)(b) (benefits taxable under Chapter 2 of Part 6 of ITEPA 2003: contributions taxed pre-commencement) for “to tax under Case VI of Schedule D by virtue of” substitute “to income tax under subsection (2) of”.

Pensions Act 2004 (c. 35)

- 657 The Pensions Act 2004 is amended as follows.
- 658 In Schedule 3 (restricted information held by the Regulator: certain permitted disclosures to facilitate exercise of functions), in the second column, in the entry relating to the Commissioners of Inland Revenue or their officers—
- (a) omit the “or” before paragraph (e), and
 - (b) at the end of that paragraph insert “or
 - (f) the Income Tax (Trading and Other Income) Act 2005 (so far as relating to functions previously exercised under the Income and Corporation Taxes Act 1988).”
- 659 In Schedule 8 (restricted information held by the Board: certain permitted disclosures to facilitate exercise of functions), in the second column, in the entry relating to the Commissioners of Inland Revenue or their officers—
- (a) omit the “or” before paragraph (e), and
 - (b) at the end of that paragraph insert “or
 - (f) the Income Tax (Trading and Other Income) Act 2005 (so far as relating to functions previously exercised under the Income and Corporation Taxes Act 1988).”