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## SCHEDULES

### SCHEDULE 1

Section 1027

#### MINOR AND 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 Omit sections 1 to 2 (the charge to income tax, application of lower rate to income  
from savings and distributions, rates of tax applicable to distribution income etc,  
and fractions of a pound and yearly assessments).
- 3 Omit section 3 (certain income charged at basic rate).
- 4 Omit section 4 (construction of references in Income Tax Acts to deduction of tax).
- 5 Omit section 7(1) (deduction of income tax from payments to companies).
- 6 (1) Amend section 9 (computation of income: application of income tax principles) as  
follows.
  - (2) In subsection (2)—
    - (a) after “except that it does not include” insert “ — (a) ”, and
    - (b) after “subsection (1) above” insert “, or  
(b) ITA 2007”.
  - (3) In subsection (4) after “ITTOIA 2005” insert “ and ITA 2007 ”.
  - (4) In subsection (6) omit the words from the beginning to “this Act; and”.
- 7 Omit section 42A (non-resident landlords and their representatives).
- 8 Omit sections 50, 51 and 51AA (United Kingdom securities: Treasury directions  
for payment without deduction of tax etc).
- 9 In section 56(3)(c) (transactions in deposits with and without certificates or in debts)  
for “charity” substitute “ charitable company ”.
- 10 In section 105(2) (allowable deductions) omit “or by virtue of section 90(4) of the  
Finance Act 1995”.
- 11 Omit section 109A (relief for post-cessation expenditure).
- 12 In section 110(1) (interpretation of sections 103 to 109A) for “sections 103 to 109A”  
substitute “ sections 103 to 106 ”.
- 13 Omit section 117 (restriction on relief for limited partners: individuals).
- 14 (1) Amend section 118 (restriction on relief for limited partners: companies) as follows.
  - (2) In subsection (2) before the definition of “relevant accounting period” insert—

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““limited partner” means—

- (a) a company which is carrying on a trade as a limited partner in a limited partnership registered under the Limited Partnerships Act 1907;
- (b) a company which—
  - (i) is carrying on a trade as a general partner in a partnership;
  - (ii) is not entitled to take part in the management of the trade; and
  - (iii) is entitled to have its liabilities, or its liabilities beyond a certain limit, for debts or obligations incurred for the purposes of the trade discharged or reimbursed by some other person; or
- (c) a company which carries on a trade jointly with others and which, under the law of any territory outside the United Kingdom—
  - (i) is not entitled to take part in the management of the trade; and
  - (ii) is not liable beyond a certain limit for debts or obligations incurred for the purposes of the trade;”.

(3) In subsection (2) in the definition of “relevant accounting period” omit “(within the meaning of section 117(2))”.

(4) In subsection (2) in the definition of “the relevant sum” omit “(within the meaning of section 117(3))”.

(5) After that subsection insert—

“(3) A partner company's contribution to a trade at any time is the aggregate of—

- (a) the amount which the partner company has contributed to the trade as capital and has not, directly or indirectly, drawn out or received back (other than anything which it is or may be entitled so to draw out or receive back at any time when it carries on the trade as a limited partner or which it is or may be entitled to require another person to reimburse to it), and
- (b) the amount of any profits of the trade to which the partner company is entitled but which it has not received in money or money's worth.”

15 For section 118ZB substitute—

**“118ZB Restriction on relief: companies**

Section 118 has effect in relation to a member of a limited liability partnership as in relation to a limited partner, but subject to sections 118ZC and 118ZD.”

16 (1) Amend section 118ZC (member's contribution to trade) as follows.

(2) In subsection (1) for “section 117” substitute “ section 118 ”.

(3) In subsection (2)—

- (a) omit “that section and”,
- (b) for “him” substitute “ it ”, and
- (c) for “his” substitute “ its ”.

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- (4) In subsection (3)—
    - (a) for “he”, in each place where it occurs, substitute “ it ”, and
    - (b) for “him” substitute “ it ”.
  - (5) In subsection (4)—
    - (a) for “he”, in both places where it occurs, substitute “ it ”,
    - (b) for “its” substitute “ the partnership's ”, and
    - (c) for “it” substitute “ the partnership ”.
  - (6) Omit subsection (5).
- 17 (1) Amend section 118ZD (carry forward of unrelieved losses) as follows.
- (2) In subsection (1)—
    - (a) for “chargeable periods” substitute “ accounting periods ”,
    - (b) omit “117 or”,
    - (c) for “his”, in both places where it occurs, substitute “ the member's ”,
    - (d) for “chargeable period” substitute “ accounting period ”, and
    - (e) for “he” substitute “ the member ”.
  - (3) In subsection (2)—
    - (a) for the words from the beginning to “as they apply” substitute “ Sections 393A(1) and 403 (and section 118 as it applies ”,
    - (b) for “chargeable period”, in both places where it occurs, substitute “ accounting period ”, and
    - (c) for “his” substitute “ the member's ”.
  - (4) In subsection (3)—
    - (a) for “chargeable period”, in each place where it occurs, substitute “ accounting period ”,
    - (b) for “his”, in each place where it occurs, substitute “ the member's ”, and
    - (c) for “the Tax Acts” substitute “ the Corporation Tax Acts ”.
- 18 Omit sections 118ZE to 118ZK (restriction on reliefs for non-active general partners and non-active members of LLPs).
- 19 Omit sections 118ZL and 118ZM (restriction on reliefs for partnerships exploiting films).
- 20 Omit sections 118ZN and 118ZO (partners: meaning of “contribution to the trade”).
- 21 (1) Amend section 125 (annual payments for dividends or non-taxable consideration) as follows.
- (2) In subsection (1)—
    - (a) omit “shall be made without deduction of income tax and”, and
    - (b) for “or total income of the person by whom” substitute “ of the company by which ”.
  - (3) In subsection (2)(b) omit “income tax or”.
  - (4) In subsection (3)—
    - (a) insert “ or ” at the end of paragraph (b), and
    - (b) omit paragraph (d) and the “or” immediately before it.

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- 22 In section 209A(4) (section 209(3AA): link to shares of company or associated company) for “section 349(5) and (6)” substitute “ section 984 of ITA 2007 ”.
- 23 Omit section 214(1)(b) (chargeable payments connected with exempt distributions: deduction of tax at source).
- 24 (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) omit “above or section 397(1) of ITTOIA 2005”.
- (3) Omit subsection (1A).
- 25 (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) omit “above or section 397(1) of ITTOIA 2005”.
- (3) Omit subsection (1A).
- 26 In section 231B(12) (consequences of certain arrangements to pass on the value of a tax credit) for the definition of “tax advantage” substitute—
- ““tax advantage” has the meaning given by section 840ZA”.
- 27 (1) Amend section 256 (personal reliefs: general) as follows.
- (2) In subsection (1) for “sections 275 to 278” substitute “ section 278 ”.
- (3) In subsection (2)—
- (a) for “an income tax reduction” substitute “ a tax reduction ”, and
- (b) for the words from “the effect of that relief” to the end of the subsection substitute “ the amount of the tax reduction is equal to 10 per cent. of the specified amount ”.
- (4) Omit subsection (3).
- 28 After section 256 insert—

**“256A Meaning of “adjusted net income”**

- (1) For the purposes of this Chapter an individual's adjusted net income for a year of assessment is calculated as follows.

*Step 1*

Take the amount of the individual's net income for the year of assessment.

*Step 2*

If in the year of assessment the individual makes, or is treated under section 426 of ITA 2007 as making, a gift that is a qualifying donation for the purposes of Chapter 2 of Part 8 of that Act (gift aid) deduct the grossed up amount of the gift.

*Step 3*

If the individual is given relief in accordance with section 192 of FA 2004 (relief at source) in respect of any contribution paid in the year of assessment under a pension scheme, deduct the gross amount of the contribution.

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#### *Step 4*

Add back any relief under section 266 of this Act given by virtue of subsection (7) of that section (payments for life insurance etc) that was deducted in calculating the individual's net income for the year of assessment.

The result is the individual's adjusted net income for the year of assessment.

- (2) The grossed up amount of a gift is the amount of the gift grossed up by reference to the basic rate for the year of assessment.
- (3) The gross amount of a contribution is the amount of the contribution before deduction of tax under section 192(1) of FA 2004.

#### **256B Meaning of “the minimum amount”**

In this Chapter “the minimum amount” means £2,350.”

- 29 (1) Amend section 257 (personal allowance) as follows.
- (2) In subsection (1) for “deduction from his total income” substitute “ personal allowance ”.
  - (3) In subsection (2)—
    - (a) for “deduction from his total income” substitute “ personal allowance ”, and
    - (b) for “the deduction” substitute “ the allowance ”.
  - (4) In subsection (3)—
    - (a) for “deduction from his total income” substitute “ personal allowance ”, and
    - (b) for “the deduction” substitute “ the allowance ”.
  - (5) In subsection (5) for “total income” substitute “ adjusted net income ”.
  - (6) After subsection (5) insert—

“(6) An allowance under this section is given effect at Step 3 of the calculation in section 23 of ITA 2007.”
- 30 (1) Amend section 257A (married couple's allowance: pre-5 December 2005 marriages) as follows.
- (2) In subsections (2) and (3) for “an income tax reduction” substitute “ a tax reduction ”.
  - (3) In subsection (5) for “total income” substitute “ adjusted net income ”.
  - (4) In subsection (5A) for “£2,350” substitute “ the minimum amount ”.
  - (5) In subsection (6) for “income tax reduction” substitute “ tax reduction ”.
  - (6) After subsection (6) insert—

“(6A) A tax reduction under this section is given effect at Step 6 of the calculation in section 23 of ITA 2007.”
- 31 (1) Amend section 257AB (married couple's allowance: post-5 December 2005 marriages and civil partnerships etc) as follows.

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- (2) In subsection (1)(d) for “total income” (in both places it occurs) substitute “ net income ”.
- (3) In subsection (2) for “an income tax reduction” substitute “ a tax reduction ”.
- (4) In subsection (4) for “total income” substitute “ adjusted net income ”.
- (5) In subsection (5) for “£2,350” substitute “ the minimum amount ”.
- (6) In subsection (6) for “income tax reduction” substitute “ tax reduction ”.
- (7) After subsection (9) insert—
- “(10) A tax reduction under this section is given effect at Step 6 of the calculation in section 23 of ITA 2007.”
- 32 (1) Amend section 257BA (elections as to transfer of relief under section 257A or 257AB) as follows.
- (2) For subsections (1) to (3) substitute—
- “(1) An individual may elect that for any year of assessment for which the individual's spouse or civil partner is entitled to a tax reduction under section 257A or 257AB—
- (a) the individual shall be entitled (on making a claim) to a tax reduction calculated by reference to half the minimum amount, and
- (b) the spouse or civil partner's appropriate amount shall be reduced by half the minimum amount.
- (2) An individual and the individual's spouse or civil partner may jointly elect that for any year of assessment for which the individual is entitled to a tax reduction under section 257A or 257AB—
- (a) the individual's spouse or civil partner shall be entitled (on making a claim) to a tax reduction calculated by reference to the minimum amount, and
- (b) the individual's appropriate amount shall be reduced by the minimum amount.
- (3) An individual may elect that for any year of assessment for which the individual's spouse or civil partner is entitled to a tax reduction by virtue of an election under subsection (2) above—
- (a) the individual shall be entitled (on making a claim) to a tax reduction calculated by reference to half the minimum amount (in addition to any tax reduction to which the individual is already entitled under section 257A or 257AB), and
- (b) the tax reduction to which the spouse or civil partner is entitled by virtue of that election shall be calculated by reference to half the minimum amount (instead of by reference to the minimum amount).”
- (3) After subsection (3) insert—
- “(3A) In this section “the appropriate amount” means the amount by reference to which the calculation of the tax reduction is to be made.”
- (4) Omit subsection (6).

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- (5) In subsection (9) for “income tax reduction” substitute “ tax reduction ”.
- (6) After subsection (9) insert—
- “(10) A tax reduction under this section is given effect at Step 6 of the calculation in section 23 of ITA 2007.”
- 33 (1) Amend section 257BB (transfer of relief under section 257A or 257AB where relief exceeds income) as follows.
- (2) For subsection (1) substitute—
- “(1) Where—
- (a) an individual is entitled to a tax reduction under section 257A or 257AB, but
- (b) the amount of the tax reduction to which the individual is entitled is greater than the individual's comparable tax liability,
- the individual's spouse or civil partner shall be entitled (in addition to any tax reduction to which that spouse or civil partner is entitled by virtue of an election under section 257BA) to a tax reduction equal to the unused part of the individual's MCA tax reductions.”
- (3) After subsection (1) insert—
- “(1A) The individual's MCA tax reductions are the sum of—
- (a) the tax reduction to which the individual is entitled under section 257A or 257AB, and
- (b) any tax reduction to which the individual is entitled by virtue of an election under section 257BA(3).
- (1B) The unused part of the individual's MCA tax reductions is equal to—
- (a) the individual's MCA tax reductions, less
- (b) the individual's comparable tax liability.”
- (4) For subsection (3) substitute—
- “(3) Where—
- (a) an individual is entitled to a tax reduction by virtue of an election under section 257BA, but
- (b) the amount of the tax reduction to which the individual is entitled is greater than the individual's comparable tax liability,
- the individual's spouse or civil partner shall be entitled (in addition to any tax reduction to which that spouse or civil partner is entitled by virtue of section 257A or 257AB) to a tax reduction equal to the unused part of the individual's tax reduction.”
- (5) After subsection (3) insert—
- “(3AA) The unused part of the individual's tax reduction is equal to—
- (a) the tax reduction to which the individual is entitled by virtue of the election under section 257BA, less
- (b) the individual's comparable tax liability.”
- (6) Omit subsection (3A).

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- (7) After subsection (5) insert—
- “(5A) For the purposes of this section, the comparable tax liability of an individual is the amount of the individual's tax left after Step 6 of the calculation in section 23 of ITA 2007, making that calculation with the modifications set out in subsections (5B) and (5C).
- (5B) In making that calculation, do not deduct any tax reduction under—
- (a) section 788 (double taxation arrangements: relief by agreement), or
  - (b) section 790(1) (relief for foreign tax where there are no double taxation arrangements).
- (5C) If the individual's entitlement to a tax reduction under section 257A, 257AB, 257BA or this section is extinguished under section 423(4) of ITA 2007 (gift aid: restriction of reliefs) to any extent, deduct from the amount calculated in accordance with subsections (5A) and (5B) the amount by which the tax reduction is reduced.
- (5D) For the purposes of this section a person is treated as being entitled to a tax reduction under section 788 if the person is entitled to credit against income tax under arrangements which have effect under that section.
- (5E) A tax reduction under this section is given effect at Step 6 of the calculation in section 23 of ITA 2007.”
- 34 (1) Amend section 257C (indexation of amounts) as follows.
- (2) In subsections (1) and (3) for “sections 257” substitute “ sections 256B, 257 ”.
  - (3) In the sidenote for “sections 257” substitute “ sections 256B, 257 ”.
- 35 (1) Amend section 265 (blind person's allowance) as follows.
- (2) In subsection (1)—
    - (a) for “deduction” substitute “ blind person's allowance ”, and
    - (b) omit “from his total income”.
  - (3) In subsection (2)—
    - (a) in paragraph (a) for “relief under subsection (1) above” substitute “ an allowance under subsection (1) above ”,
    - (b) for paragraph (b) substitute—
      - “(b) the amount to which the person is entitled exceeds the person's remaining relieviable income,”, and
    - (c) for “a deduction from total income” substitute “ an allowance ”.
  - (4) After subsection (2) insert—
    - “(2A) The person's remaining relieviable income is the amount found by—
      - (a) taking the amount of the individual's net income, and
      - (b) subtracting any personal allowance to which the person is entitled.”
  - (5) Omit subsection (3).
  - (6) In subsection (5)—
    - (a) for “Subsections (2) and (3)” substitute “ Subsection (2) ”,



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- (b) for “relief” substitute “ an allowance ”, and
  - (c) for “they are” substitute “ it is ”.
- (7) After subsection (7) insert—
  - “(8) An allowance under this section is given effect at Step 3 of the calculation in section 23 of ITA 2007.”
- 36 (1) Amend section 266 (life assurance premiums) as follows.
  - (2) In subsection (3)(c) omit the words from “, except” to “subsection (6) below”.
  - (3) In subsection (4) for “subsections (6) to (8)” substitute “ subsections (7) and (8) ”.
  - (4) Omit subsections (6) and (6A).
  - (5) In subsection (7)(b) for “there shall be deducted from his total income” substitute “ in calculating his net income there shall be deducted ”.
  - (6) In subsection (8)—
    - (a) for “but is entitled” substitute “ and is entitled ”,
    - (b) after “section 278(2)” insert “ or (2ZA) ”, and
    - (c) omit “(subject to section 278(3))”.
  - (7) In subsection (13) omit “this section and”.
- 37 (1) Amend section 273 (payments securing annuities) as follows.
  - (2) In subsection (1) for “deduction from the amount of income tax on which he or she is chargeable” substitute “ tax reduction ”.
  - (3) In subsection (2) for “No deduction may be made” substitute “ There is no entitlement to a tax reduction ”.
  - (4) After subsection (2) insert—
    - “(3) A tax reduction under this section is given effect at Step 6 of the calculation in section 23 of ITA 2007.”
- 38 Omit section 276 (effect on relief of charges on income).
- 39 Omit section 277 (partners).
- 40 (1) Amend section 278 (non-residents) as follows.
  - (2) Omit subsection (1).
  - (3) In subsection (2)—
    - (a) for the words from the beginning to “individual” substitute “ Subject to subsection (2ZA) below, relief under this Chapter shall be given only to an individual ”,
    - (b) before paragraph (a) insert—
      - “(za) is not resident in the United Kingdom,
      - (zb) does not meet the condition in section 56(3) of ITA 2007, and”, and
    - (c) omit paragraphs (b) to (e) and the “or” immediately before paragraph (b).
  - (4) After subsection (2) insert—

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“(2ZA) Relief under section 266 above (except relief given by virtue of subsection (7) of that section) may also be given to an individual who—  
 (a) is resident in the United Kingdom, or  
 (b) meets the condition in section 56(3) of ITA 2007.”

41 Omit section 282 (construction of references to spouses or civil partners living together).

42 Omit sections 282A and 282B (jointly held property).

43 Omit section 305A (relief for loss on disposal of shares).

44 In section 312(2A) (interpretation of Chapter 3), as it applies in relation to shares issued before 6 April 2007, for paragraph (a) substitute—

- “(a) references to a company being “in administration” are to—  
 (i) it being in administration within the meaning of Schedule B1 to the Insolvency Act 1986 (c. 45) or Schedule B1 to the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), or  
 (ii) there being in force in relation to it, under the law of a country or territory outside the United Kingdom, any appointment corresponding to an appointment of an administrator under either of those Schedules;”.

45 Omit section 320 (Commonwealth Agents-General and official agents etc).

46 Omit section 323 (visiting forces).

47 Omit section 332A (venture capital trusts: relief).

48 Omit section 334 (Commonwealth and Irish citizens temporarily abroad).

49 Omit section 335 (residence of persons working abroad).

50 Omit section 336 (temporary residents in the United Kingdom).

51 (1) Amend section 339 (charges on income: donations to charity) as follows.

(2) For subsection (4) substitute—

- “(4) Where a company gives a sum of money to a charity—  
 (a) if the charity is a charitable company, a body mentioned in section 507 or an Association of a description specified in section 508, the gift shall in the hands of the charitable company be treated for the purposes of this Act as if it were an annual payment, and  
 (b) if the charity is a trust established for charitable purposes only, see section 522 of ITA 2007 (gifts of money from companies).”

(3) After subsection (9) insert—

“(10) In this section “charitable company” has the same meaning as in section 506.”

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### Textual Amendments

**F1** Sch. 1 para. 52 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(3\)](#)

- 53 Omit section 347B (qualifying maintenance payments).
- 54 Omit section 348 (payments out of profits or gains brought into charge to income tax: deduction of tax).
- 55 Omit section 349 (payments not out of profits or gains brought into charge to income tax, and annual interest).
- 56 Omit section 349ZA (extension of section 349: proceeds of sale of UK patent rights).
- 57 Omit sections 349A to 349D (exceptions to section 349 for payments between companies).
- 58 Omit section 349E (deductions under section 349(1): payment of royalties overseas).
- 59 Omit section 350 (charge to tax where payments made under section 349).
- 60 Omit section 350A (UK public revenue dividends: deduction of tax).
- 61 Omit section 352 (certificates of deduction of tax).
- 62 (1) Amend section 353 (relief for payments of interest: general) as follows.
- (2) In subsection (1)—
- (a) omit “sections 359 to 368 of this Act and”, and
- (b) for “sections 359 to 365” substitute “ section 365 ”.
- (3) For subsection (1A) substitute—
- “(1A) Where a person is entitled for a year of assessment to relief under this section in respect of an amount of interest which is eligible for relief by virtue of section 365, the relief is given as a tax reduction for that tax year.
- (1AA) The amount of the tax reduction is 23% of the amount of the interest.
- (1AB) The tax reduction is given effect at Step 6 of the calculation in section 23 of ITA 2007.”
- (4) Omit subsection (1B).
- (5) In subsection (1E)—
- (a) omit “under this section”,
- (b) for “subsection (1B) above” substitute “ section 383 of ITA 2007 (relief for interest payments) ”,
- (c) for “those subsections” substitute “ those provisions ”, and
- (d) for the words from “and subsection (1A) or (1B)” to the end substitute “ and subsection (1A) above or section 383 of ITA 2007 shall apply accordingly to the case in which that subsection or section applies ”.
- (6) Omit subsections (1F) to (1H).
- 63 Omit section 359 (loan to buy machinery or plant).

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- 64 Omit section 360 (loan to buy interest in close company).
- 65 Omit section 360A (meaning of “material interest” in section 360).
- 66 Omit section 361 (loan to buy interest in co-operative or employee-controlled company).
- 67 Omit section 362 (loan to buy into partnership).
- 68 Omit section 363 (provisions supplementary to sections 360 to 362).
- 69 Omit section 364 (loan to pay inheritance tax).
- 70 In section 366(1)(c) (information) omit the words from “(or” to “income)”.
- 71 In section 367 (provisions supplementary to sections 354 to 366) omit subsections (2) to (4).
- 72 Omit section 368 (exclusion of double relief etc).
- 73 Omit Chapter 1 of Part 10 (loss relief: income tax).
- 74 (1) Amend section 397 (restriction of relief in case of farming and market gardening) as follows.
- (2) Omit subsection (1).
- (3) In subsection (3)—
- (a) for “Subsections (1) and (2) above” substitute “ This section ”, and
- (b) for “he” substitute “ that farmer or market gardener ”.
- (4) In subsection (4) for “Subsections (1) and (2) above” substitute “ This section ”.
- (5) In subsection (5)—
- (a) omit the definition of “chargeable period”,
- (b) for the definition of “prior five years” substitute—
- ““prior five years” means, in relation to a loss incurred in a company’s accounting period, the last five years before the beginning of that period;”,
- (c) in the definition of “prior period of loss”—
- (i) omit “years of assessment or”, and
- (ii) for “in applying this definition to a chargeable period of a company” substitute “ for this purpose ”, and
- (d) for the definitions of “farming” and “market gardening” substitute—
- ““farming” and “market gardening” shall be construed in accordance with the definitions in section 832, but as if those definitions were not restricted to activities in the United Kingdom.”
- (6) In subsection (7)—
- (a) omit “the calculation of the profits of a trade in Part 2 of ITTOIA 2005 or to”,
- (b) after “Schedule D” insert “ (or to the calculation of the profits of a trade in Part 2 of ITTOIA 2005) ”, and
- (c) omit “, in relation to a chargeable period of a company,”.
- (7) In subsection (8)—
- (a) for “Subsections (1) and (2) above” substitute “ This section ”, and

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- (b) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- (8) In subsection (10)—
  - (a) omit “from income tax or from corporation tax”, and
  - (b) for the words from “some of which are incurred” to “chargeable periods” substitute “ (computed without regard to capital allowances) some of which are incurred in an accounting period wholly or partly comprised in the prior five years and some of which are incurred in a year of assessment wholly or partly comprised in the prior five years ”.
- 75 (1) Amend section 398 (transactions in deposits with and without certificates or in debts) as follows.
  - (2) For “a person” substitute “ a company ”.
  - (3) Omit “above or Chapter 11 of Part 4 of ITTOIA 2005 (transactions in deposits)”.
  - (4) In paragraph (a)—
    - (a) after “chargeable to” insert “ corporation ”, and
    - (b) omit “above or that Chapter”.
  - (5) In paragraph (b) for the words from “he is chargeable” to “that Act” substitute “ the company is chargeable to corporation tax under Schedule D ”.
  - (6) For the words from “the amount of his loss may be set off in pursuance” to the end substitute “ the amount of its loss may be set off under section 396. ”
- 76 (1) Amend section 399 (dealings in commodity futures etc: withdrawal of loss relief) as follows.
  - (2) In subsection (2)—
    - (a) for “any person under section 380, 381 or” substitute “ any company under section ”,
    - (b) in paragraph (a) omit “and that person or one or more of the other partners was a company”,
    - (c) in paragraph (b) for “that person from his” substitute “ that company from its ”, and
    - (d) for “tax liability” substitute “ corporation tax liability ”.
  - (3) In subsection (3) for the words after “assessment” substitute “ to corporation tax under Case VI of Schedule D. ”
- 77 In section 414(1) (close companies) for “Tax Acts” substitute “ Corporation Tax Acts ”.

F278 .....

**Textual Amendments**

**F2** Sch. 1 para. 78 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(7\)](#)

- 79 In section 459 (exemption for unregistered friendly societies) omit “income tax and”.
- 80 In section 460(1) (exemption for registered friendly societies: life or endowment business) omit “income tax and”.

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- 81 (1) Section 461 (exemption for registered friendly societies: other business) is amended as follows.
- (2) In subsection (1) omit “income tax and”.
- (3) In subsection (4)(b) omit “income tax or”.
- 82 (1) Amend section 461B (exemption for qualifying incorporated friendly societies: other business) as follows.
- (2) In subsection (1) omit “income tax and”.
- (3) In subsection (5) omit “income tax or”.
- <sup>F3</sup>83 .....

#### Textual Amendments

**F3** Sch. 1 para. 83 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(7\)](#)

- 84 (1) Amend section 467(1) (exemption for trade unions and employers' associations) as follows.
- (2) After “entitled” insert “ to exemption from corporation tax ”.
- (3) In paragraph (a) omit “to exemption from income tax and corporation tax”.
- (4) In paragraph (b) omit “to exemption from tax”.
- 85 (1) Amend section 468 (authorised unit trusts) as follows.
- (2) In subsection (1A) for “lower rate” substitute “ savings rate ”.
- (3) In subsection (6) omit the definition of “unit trust scheme” and the “and” immediately before it.
- 86 In section 468A(1) (open-ended investment companies) for “lower rate” substitute “ savings rate ”.
- 87 (1) Amend section 469 (unauthorised unit trusts) as follows.
- (2) In subsection (2)—
- (a) for “Tax Acts” substitute “ Corporation Tax Acts ”, and
- (b) omit the words from “and, in the case of income” to the end.
- (3) Omit subsections (2A) to (4).
- (4) Before subsection (5) insert—
- “(4A) For the purposes of the Corporation Tax Acts, the trustees are treated as making an annual payment (under deduction of income tax) to each unit holder if an amount is shown in the scheme's accounts as income available for payment to unit holders or for investment.
- (4B) The amount of an annual payment to a unit holder for a distribution period before the deduction of income tax is its gross amount.
- (4C) Section 548(2) of ITTOIA 2005 applies for the purpose of calculating the gross amount of an annual payment for a distribution period as it applies for

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the purpose of calculating the gross amount of income treated as received for a distribution period under Chapter 10 of Part 4 of that Act.

(4D) Section 941 of ITA 2007 deals with the deduction of income tax from the gross amount so calculated.”

(5) In subsection (5) for “payments are”, in both places where it occurs, substitute “payment is”.

(6) Omit subsections (5A) to (5D) and (7) to (10).

88 (1) Amend section 477A (building societies: regulations for deduction of tax) as follows.

(2) Omit subsections (1) to (2A).

(3) In subsection (3)—

(a) omit the words from “For any” to “above apply,”, and

(b) in paragraph (b) omit the words “paid or credited in the year of assessment”.

(4) Omit subsection (7).

(5) For subsection (9) substitute—

“(9) In this section “dividend” includes any distribution (whether or not described as a dividend).”

(6) In subsection (10) omit the definitions of “qualifying certificate of deposit”, “qualifying deposit right” and “security”.

(7) In the sidenote for “regulations for deduction of tax” substitute “loan relationships”.

89 Omit sections 480A to 482 (deduction of tax by deposit-takers).

90 (1) Amend section 486 (industrial and provident societies and co-operative associations) as follows.

(2) Omit subsections (2), (3) and (6).

(3) In subsection (7) for “subsection (6)” substitute “section 887(2) of ITA 2007”.

91 In section 487(2) (credit unions) for “section 486(6)” substitute “section 887(2) of ITA 2007”.

92 (1) Amend section 492 (treatment of oil extraction activities etc for tax purposes) as follows.

(2) Omit subsection (2).

(3) For subsection (4) substitute—

“(4) In any case where—

(a) in any accounting period a company incurs a loss in activities (“separate activities”) which, for that or any subsequent accounting period, are treated by virtue of subsection (1) above as a separate trade for the purposes specified in that subsection, and

(b) in any subsequent accounting period any of its trading income is derived from activities (“related activities”) which are not part of the separate activities but which, apart from subsection (1) above, would together with those activities constitute a single trade,

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then, notwithstanding anything in subsection (1) above, the amount of the loss may be set off, in accordance with section 393(1), against so much of its trading income in any subsequent accounting period as is derived from the related activities.”

- 93 Omit section 504A (letting of furnished holiday accommodation treated as trade for certain income tax purposes).
- 94 (1) Amend section 505 (charities: general) as follows.
- (2) In subsection (1)—
- (a) in paragraph (a) omit “, or under Parts 2 and 3 of ITTOIA 2005,”,
  - (b) in paragraph (c)—
    - (i) in sub-paragraph (ii) omit the words from “or under Chapter 2, 7, 8 or 10” to the end of the sub-paragraph,
    - (ii) omit sub-paragraphs (iiaa) and (iii), and
    - (iii) for “charity” substitute “charitable company”,
  - (c) in paragraph (d) omit “or Chapter 2 of Part 4 of ITTOIA 2005 (interest”),
  - (d) in paragraph (e)—
    - (i) omit “or Part 2 of ITTOIA 2005 (trading income)”, and
    - (ii) for “charity”, in each place where it occurs, substitute “charitable company”, and
  - (e) in paragraph (f)—
    - (i) omit “or Part 2 or 5 of ITTOIA 2005 (trading and miscellaneous income)”,
    - (ii) for “charity” substitute “charitable company”, and
    - <sup>F4</sup>(iii) . . . . .
- (3) In subsection (1AA) for “(1)(c)(iiaa) and (iib)” substitute “(1)(c)(iib)”.
- (4) In subsection (1B) for “charity” substitute “charitable company”.
- (5) In subsection (2)—
- (a) in paragraph (a), for “a charity” substitute “a charitable company”,
  - (b) in paragraph (c) for “tax” substitute “corporation tax”, and
  - (c) omit the words from “chargeable to income tax” to “and shall be”.
- (6) In subsection (4)—
- (a) for “charity” substitute “charitable company”, and
  - (b) for “a chargeable” substitute “an accounting”.
- (7) In subsection (5)—
- (a) for “a chargeable” substitute “an accounting”, and
  - (b) for “charity’s” substitute “charitable company’s”.
- (8) In subsection (6) for “a chargeable” in both places where it occurs substitute “an accounting”.
- (9) In subsection (7)—
- (a) for “charity’s” substitute “charitable company’s”, and
  - (b) for “charity” in each place where it occurs substitute “charitable company”.
- (10) In the sidenote for “Charities” substitute “Charitable companies”.



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### Textual Amendments

**F4** Sch. 1 para. 94(2)(e)(iii) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 6\(3\)](#)

- 95 (1) Amend section 506 (charitable and non-charitable expenditure) as follows.
- (2) In subsection (1) in the appropriate place insert—
- ““charitable company” means any body of persons established for charitable purposes only;”.
- (3) In subsection (2)—
- (a) for “chargeable”, in both places where it occurs, substitute “ accounting ”, and
- (b) for “charity” substitute “ charitable company ”.
- (4) In subsection (3) for “charity” substitute “ charitable company ”.
- (5) In subsection (4)—
- (a) for “chargeable” substitute “ accounting ”, and
- (b) for “charity”, in both places where it occurs, substitute “ charitable company ”.
- (6) In subsection (5)—
- (a) for “chargeable” substitute “ accounting ”, and
- (b) for “charity” substitute “ charitable company ”.
- 96 (1) Amend section 506A (transactions with substantial donors) as follows.
- (2) For “charity” in each place where it occurs substitute “ charitable company ”.
- (3) In subsection (2)—
- (a) for “a chargeable” in both places where it occurs substitute “ an accounting ”,
- (b) for “the chargeable” in both places where it occurs substitute “ the accounting ”, and
- (c) for “five chargeable” substitute “ five accounting ”.
- 97 (1) Amend section 506B (section 506A: exceptions) as follows.
- (2) In subsections (1) to (4), (7) and (9), for “charity” in each place where it occurs substitute “ charitable company ”.
- (3) In subsection (5) for “to which section 587B applies” substitute “ in respect of which relief is available under section 587B of this Act or section 431 of ITA 2007 (gifts of shares, securities and real property to charities etc) ”.
- (4) In subsection (7) for the words after “so far as” substitute “they relate to a donation by the donor, and—
- (a) if the donation is made by a company, the payments or benefits do not prevent the donation being a qualifying donation for the purposes of section 339 because of subsection (3B)(b) of that section (restrictions on associated benefits), or
- (b) if the donation is made by an individual, the payments or benefits do not prevent the donation being a qualifying donation for the

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- purposes of section 416 of ITA 2007 because of subsection (7)(b) of that section (restrictions on associated benefits).”
- (5) In subsection (8) for the words from “the charity” to the end substitute “ a charitable company which owns it (or any part of it) ”.
- 98 (1) Amend section 506C (sections 506A and 506B: supplemental) as follows.
- (2) In subsection (1)—
- (a) omit paragraph (d),
  - (b) omit the “or” at the end of paragraph (h),
  - (c) insert “ or ” at the end of paragraph (i), and
  - (d) after that paragraph insert—
 

“(j) Chapters 2 and 3 of Part 8 of ITA 2007 (gift aid and gifts of shares, securities and real property).”
- (3) In subsections (2) and (4) for “charity” substitute “ charitable company ”.
- (4) In subsection (3) for “a chargeable” substitute “ an accounting ”.
- (5) In subsection (5) for the words from the beginning to “single charity” substitute “ A charitable company and any other charities with which it is connected are to be treated as a single charitable company ”.
- 99 In section 507(1) (the National Heritage Memorial fund etc) for “charity” substitute “ charitable company ”.
- 100 In section 508(1) (scientific research organisations) for “charity” substitute “ charitable company ”.
- 101 (1) Amend section 510A (tax treatment of European Economic Interest Groupings) as follows.
- (2) In subsection (2) for “tax in respect of income and gains” substitute “ corporation tax ”.
- (3) In subsection (3) omit paragraph (b) and the “and” immediately before it.
- (4) In subsection (6) for “tax in respect of income and gains” substitute “ corporation tax ”.
- 102 Omit section 515 (exemption for signatories to Operating Agreement for INMARSAT).
- 103 Omit section 516 (Government securities held by non-resident central banks).
- 104 In section 517 (exemption for Reserve Bank of India and State Bank of Pakistan) after “exempt from” insert “ corporation ”.
- 105 In section 519 (exemption for local authorities and local authority associations) for subsection (1) substitute—
- “(1) A local authority in the United Kingdom shall be exempt from corporation tax.”
- 106 (1) Amend section 519A (exemption for Health Service bodies) as follows.
- (2) For subsection (1) substitute—
- “(1) A health service body shall be exempt from corporation tax.”

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- (3) In subsections (3) and (4) for “subsection (1)(b)” substitute “ subsection (1) ”.
- 107 (1) Amend section 524 (taxation of receipts from sale of patent rights) as follows.
- (2) In subsection (3)—
- (a) omit the “and” immediately after paragraph (a), and
- (b) omit paragraphs (b) and (c).
- (3) For subsection (9) substitute—
- “(9) If a company is chargeable to corporation tax under subsection (3) above, nothing in subsections (7) and (8) above shall affect the sum representing income tax which is to be deducted under section 910 of ITA 2007 (payments to non-UK residents) from payments of, or of instalments of, the proceeds of the sale.
- (9A) If any sum representing income tax is deducted under section 910 of ITA 2007, any adjustment necessary to give effect to the provisions of subsection (9) above shall be made by way of repayment of tax.”
- 108 (1) Amend section 527 (spreading of royalties over several years) as follows.
- (2) For subsection (1) substitute—
- “(1) Where—
- (a) a royalty or other sum is paid to a company in respect of the user of a patent,
- (b) the user extended over a period of six complete years or more, and
- (c) the payment is one from which a sum representing income tax must be deducted under section 903 of ITA 2007,
- the company may on the making of a claim require that the corporation tax payable by it by reason of the receipt of that sum shall be reduced so as not to exceed the total amount of corporation tax which would have been payable by it if that royalty or sum had been paid in six equal instalments at yearly intervals, the last of which was paid on the date on which the payment was in fact made.”
- (3) Omit subsection (4).
- 109 In section 532 (application of Capital Allowances Act) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- 110 Omit sections 536 (taxation of royalties where owner abroad), 537 (public lending right) and 537B (taxation of design royalties where owner abroad).
- 111 In section 539A(8) (conditions for being an excepted group life policy) for paragraph (ii) substitute—
- “(ii) “tax advantage” has the meaning given by section 840ZA”.
- 112 In section 552(5)(f)(i) (information: duty of insurers) for “lower rate” substitute “ savings rate ”.
- 113 Omit section 555 (entertainers and sportsmen: payment of tax).
- 114 (1) Amend section 556 (activity treated as trade etc and attribution of income) as follows.
- (2) After subsection (4) insert—

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- “(4A) In this section “payment” and “transfer” have the same meanings as in section 13 of ITTOIA 2005.”
- (3) In subsection (5) omit the words from the beginning to “, and”.
- 115 In section 558 (supplementary provisions) omit subsections (1) to (4).
- 116 In section 571 (schemes for rationalising industry: cancellation of certificates) after subsection (1) insert—
- “(1A) An amount charged to income tax under subsection (1) above is treated for income tax purposes as an amount of income.”
- 117 (1) Amend section 573 (relief for companies) as follows.
- (2) In subsection (4) omit the words from “and where” to “chargeable gains”.
- (3) Transpose section 573 as so amended to the beginning of a new Chapter of Part 13 that follows Chapter 5 as Chapter 5A and is entitled “Share loss relief”.
- 118 Omit section 574 (share loss relief for individuals).
- 119 (1) Amend section 575 (exclusion of relief under section 573 or 574 in certain cases) as follows.
- (2) In the sidenote omit “or 574”.
- (3) In subsection (1) for “Sections 573 and 574 do” substitute “Section 573 does”.
- (4) In subsection (2)—
- (a) for “person” substitute “company”,
- (b) for “him” and, in both places where it occurs, “he” substitute “it”, and
- (c) omit “or 574”, in each place where it occurs.
- (5) In subsection (3) omit “or 574”.
- (6) After subsection (3) insert—
- “(4) In this section “new consideration” means consideration in money or money’s worth other than consideration of the kind excluded by paragraph (a) or (b) of section 128(2) of the 1992 Act.”
- (7) Transpose section 575 as so amended to after section 573.
- 120 (1) Amend section 576 (provisions supplementary to sections 573 to 575) as follows.
- (2) In the sidenote for “sections 573 to 575” substitute “sections 573 and 575”.
- (3) In subsection (1)—
- (a) for “subsections (1A) to (1C)” substitute “subsection (1C)”,
- (b) for “a person” substitute “a company”,
- (c) for “a company” substitute “another company”,
- (d) for “he” and “him”, in each place where they occur, substitute “it”, and
- (e) omit “or 574”.
- (4) Omit subsections (1A) and (1B).
- (5) After subsection (1C) insert—

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“(1D) In this section “holding” means any number of shares of the same class held by one company in one capacity, growing or diminishing as shares of that class are acquired or disposed of.

For this purpose—

- (a) shares are not to be treated as being of the same class unless they are so treated by the practice of a recognised stock exchange or would be so treated if dealt in on such an exchange, and
- (b) subsection (4) of section 104 of the 1992 Act applies as it applies for the purposes of subsection (1) of that section.”

(6) Omit subsections (2) to (5).

(7) Transpose section 576 as so amended to after section 575.

121 After section 576 insert—

#### “576A Qualifying trading companies

(1) For the purposes of this Chapter a qualifying trading company is a company which meets each of conditions A to D.

(2) Condition A is that the company either—

- (a) meets each of the following requirements on the date of the disposal—
  - (i) the trading requirement (see section 576B),
  - (ii) the control and independence requirement (see section 576D),
  - (iii) the qualifying subsidiaries requirement (see section 576E), and
  - (iv) the property managing subsidiaries requirement (see section 576F), or
- (b) has ceased to meet any of those requirements at a time which is not more than 3 years before that date and has not since that time been an excluded company, an investment company or a trading company.

(3) Condition B is that the company either—

- (a) has met each of the requirements mentioned in condition A for a continuous period of 6 years ending on that date or at that time, or
- (b) has met each of those requirements for a shorter continuous period ending on that date or at that time and has not before the beginning of that period been an excluded company, an investment company or a trading company.

(4) Condition C is that the company—

- (a) met the gross assets requirement (see section 576G) both immediately before and immediately after the issue of the shares in respect of which the relief is claimed under this Chapter, and
- (b) met the unquoted status requirement (see section 576H) at the relevant time within the meaning of that section.

(5) Condition D is that the company has carried on its business wholly or mainly in the United Kingdom throughout the period—

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- (a) beginning with the incorporation of the company or, if later, 12 months before the shares in question were issued, and
- (b) ending with the date of the disposal.”

122 After section 576A insert —

*“Qualifying trading companies: the requirements*

### **576B The trading requirement**

- (1) The trading requirement is that—
  - (a) the company, disregarding any incidental purposes, exists wholly for the purpose of carrying on one or more qualifying trades, or
  - (b) the company is a parent company and the business of the group does not consist wholly or as to a substantial part in the carrying on of non-qualifying activities.
- (2) If the company intends that one or more other companies should become its qualifying subsidiaries with a view to their carrying on one or more qualifying trades—
  - (a) the company is treated as a parent company for the purposes of subsection (1)(b), and
  - (b) the reference in subsection (1)(b) to the group includes the company and any existing or future company that will be its qualifying subsidiary after the intention in question is carried into effect.

This subsection does not apply at any time after the abandonment of that intention.
- (3) For the purpose of subsection (1)(b) the business of the group means what would be the business of the group if the activities of the group companies taken together were regarded as one business.
- (4) For the purpose of determining the business of a group, activities are disregarded to the extent that they are activities carried on by a mainly trading subsidiary otherwise than for its main purpose.
- (5) For the purposes of determining the business of a group, activities of a group company are disregarded to the extent that they consist in—
  - (a) the holding of shares in or securities of a qualifying subsidiary of the parent company,
  - (b) the making of loans to another group company,
  - (c) the holding and managing of property used by a group company for the purpose of one or more qualifying trades carried on by a group company, or
  - (d) the holding and managing of property used by a group company for the purpose of research and development from which it is intended—
    - (i) that a qualifying trade to be carried on by a group company will be derived, or
    - (ii) that a qualifying trade carried on or to be carried on by a group company will benefit.

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(6) Any reference in subsection (5)(d)(i) or (ii) to a group company includes a reference to any existing or future company which will be a group company at any future time.

(7) In this section—

“excluded activities” has the meaning given by section 192 of ITA 2007 read with sections 193 to 199 of that Act,

“group” means a parent company and all its qualifying subsidiaries,

“group company”, in relation to a group, means the parent company or any of its qualifying subsidiaries,

“incidental purposes” means purposes having no significant effect (other than in relation to incidental matters) on the extent of the activities of the company in question,

“mainly trading subsidiary” means a subsidiary which, apart from incidental purposes, exists wholly for the purpose of carrying on one or more qualifying trades, and any reference to the main purpose of such a subsidiary is to be read accordingly,

“non-qualifying activities” means—

(a) excluded activities, and

(b) activities (other than research and development) carried on otherwise than in the course of a trade,

“parent company” means a company that has one or more qualifying subsidiaries,

“qualifying subsidiary” is to be read in accordance with section 191 of ITA 2007,

“qualifying trade” has the meaning given by section 189 of that Act,

“research and development” has the meaning given by section 837A.

(8) In sections 189(1)(b) and 194(4)(c) of ITA 2007 (as applied by subsection (7) for the purposes of the definitions of “excluded activities” and “qualifying trade”) “period B” means the continuous period that is relevant for the purposes of section 576A(3).”

123 After section 576B insert—

**“576C Ceasing to meet the trading requirement because of administration or receivership**

(1) A company is not regarded as ceasing to meet the trading requirement by reason only of anything done in consequence of the company or any of its subsidiaries being in administration or receivership.

This has effect subject to subsections (2) and (3).

(2) Subsection (1) applies only if—

(a) the entry into administration or receivership, and

(b) everything done as a result of the company concerned being in administration or receivership,

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is for genuine commercial reasons, and is not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax.

- (3) A company ceases to meet the trading requirement if before the time that is relevant for the purposes of section 576A(2)—
- (a) a resolution is passed, or an order is made, for the winding up of the company or any of its subsidiaries (or, in the case of a winding up otherwise than under the Insolvency Act 1986 or the Insolvency (Northern Ireland) Order 1989, any other act is done for the like purpose), or
  - (b) the company or any of its subsidiaries is dissolved without winding up.

This is subject to subsection (4).

- (4) Subsection (3) does not apply if —
- (a) the winding up is for genuine commercial reasons, and is not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax, and
  - (b) the company continues, during the winding up, to be a trading company.
- (5) References in this section to a company being “in administration” or “in receivership” are to be read in accordance with section 252 of ITA 2007.”

124 After section 576C insert—

**“576D The control and independence requirement**

- (1) The control element of the requirement is that—
- (a) the company must not control (whether on its own or together with any person connected with it) any company which is not a qualifying subsidiary of the company, and
  - (b) no arrangements must be in existence by virtue of which the company could fail to meet paragraph (a) (whether at a time during the continuous period that is relevant for the purposes of section 576A(3) or otherwise).
- (2) The independence element of the requirement is that—
- (a) the company must not—
    - (i) be a 51% subsidiary of another company, or
    - (ii) be under the control of another company (or of another company and any other person connected with that other company), without being a 51% subsidiary of that other company, and
  - (b) no arrangements must be in existence by virtue of which the company could fail to meet paragraph (a) (whether at a time during the continuous period that is relevant for the purposes of section 576A(3) or otherwise).
- (3) This section is subject to section 576J(3).
- (4) In this section—



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“arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable,

“control” is to be read as follows—

(a) in subsection (1)(a), in accordance with section 416(2) to (6),

(b) in subsection (2)(a), in accordance with section 840,

“qualifying subsidiary” is to be read in accordance with section 191 of ITA 2007.”

125 After section 576D insert—

**“576E The qualifying subsidiaries requirement**

(1) The qualifying subsidiaries requirement is that any subsidiary that the company has must be a qualifying subsidiary of the company.

(2) In this section “qualifying subsidiary” is to be read in accordance with section 191 of ITA 2007.”

126 After section 576E insert—

**“576F The property managing subsidiaries requirement**

(1) The property managing subsidiaries requirement is that any property managing subsidiary that the company has must be a qualifying 90% subsidiary of the company.

(2) In this section—

“property managing subsidiary” has the meaning given by section 188(2) of ITA 2007,

“qualifying 90% subsidiary” has the meaning given by section 190 of that Act.”

127 After section 576F insert—

**“576G The gross assets requirement**

(1) The gross assets requirement in the case of a single company is that the value of the company's gross assets—

(a) must not exceed £7 million immediately before the shares in respect of which the relief is claimed under this Chapter are issued, and

(b) must not exceed £8 million immediately afterwards.

(2) The gross assets requirement in the case of a parent company is that the value of the group assets—

(a) must not exceed £7 million immediately before the shares in respect of which the relief is claimed under this Chapter are issued, and

(b) must not exceed £8 million immediately afterwards.

(3) The value of the group assets means the aggregate of the values of the gross assets of each of the members of the group, disregarding any that consist in rights against, or shares in or securities of, another member of the group.

(4) In this section—

“group” means a parent company and its qualifying subsidiaries,

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“parent company” means a company that has one or more qualifying subsidiaries,

“qualifying subsidiary” is to be read in accordance with section 191 of ITA 2007, and

“single company” means a company that does not have one or more qualifying subsidiaries.”

128 After section 576G insert—

**“576H The unquoted status requirement**

(1) The unquoted status requirement is that, at the time (“the relevant time”) at which the shares in respect of which the relief is claimed under this Chapter are issued—

- (a) the company must be an unquoted company,
- (b) there must be no arrangements in existence for the company to cease to be an unquoted company, and
- (c) there must be no arrangements in existence for the company to become a subsidiary of another company (“the new company”) by virtue of an exchange of shares, or shares and securities, if—
  - (i) section 576J applies in relation to the exchange, and
  - (ii) arrangements have been made with a view to the new company ceasing to be an unquoted company.

(2) The arrangements referred to in subsection (1)(b) and (c)(ii) do not include arrangements in consequence of which any shares, stocks, debentures or other securities of the company or the new company are at any subsequent time—

- (a) listed on a stock exchange that is a recognised stock exchange by virtue of an order made under section 1005 of ITA 2007, or
- (b) listed on an exchange, or dealt in by any means, designated by an order made for the purposes of section 184(3)(b) or (c) of that Act, if the order was made after the relevant time.

(3) In this section—

“arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable,

“debenture” has the meaning given by section 744 of the Companies Act 1985,

“unquoted company” has the meaning given by section 184(2) of ITA 2007.”

129 After section 576H insert—

**“576I Power to amend requirements by Treasury order**

The Treasury may by order make such amendments of sections 576B to 576H as they consider appropriate.”

130 After section 576I insert—

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*“Qualifying trading companies: supplementary provisions*

**576J Relief after an exchange of shares for shares in another company**

- (1) This section and section 576K apply in relation to shares if—
- (a) a company (“the new company”) in which the only issued shares are subscriber shares acquires all the shares (“old shares”) in another company (“the old company”),
  - (b) the consideration for the old shares consists wholly of the issue of shares (“new shares”) in the new company,
  - (c) the consideration for the new shares of each description consists wholly of old shares of the corresponding description,
  - (d) new shares of each description are issued to the holders of old shares of the corresponding description in respect of and in proportion to their holdings, and
  - (e) by virtue of section 127 of the 1992 Act as applied by section 135(3) of that Act (company reconstructions etc), the exchange of shares is not to be treated as involving a disposal of the old shares or an acquisition of the new shares.

In this subsection references to shares, except the first and that in the expression “subscriber shares”, include securities.

- (2) For the purposes of this Chapter the exchange of shares is not regarded as involving any disposal of the old shares or any acquisition of the new shares.
- (3) Nothing in section 576D (the control and independence requirement) applies in relation to such an exchange of shares, or shares and securities, as is mentioned in subsection (1), or arrangements with a view to such an exchange.
- (4) For the purposes of this section old shares and new shares are of a corresponding description if, on the assumption that they were shares in the same company, they would be of the same class and carry the same rights.
- (5) References in section 576K to “old shares”, “new shares”, “the old company” and “the new company” are to be read in accordance with this section.”

131 After section 576J insert—

**“576K Substitution of new shares for old shares**

- (1) Subsection (2) applies if, in the case of any new shares held by a company or by a nominee for a company, the old shares for which they were exchanged were shares that had been subscribed for by the company (“the investor”).
- (2) This Chapter has effect as if—
- (a) the new shares had been subscribed for by the investor at the time when, and for the amount for which, the old shares were subscribed for by the investor,
  - (b) the new shares had been issued by the new company at the time when the old shares were issued to the investor by the old company, and

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- (c) any requirements of this Chapter which were met at any time before the exchange by the old company had been met at that time by the new company.

(3) Section 573(6) applies for the purposes of this section.”

132 After section 576K insert—

*“Supplemental*

**576L Interpretation of Chapter**

(1) In this Chapter (subject to subsections (2) to (5))—

“excluded company” means a company which—

- (a) has a trade which consists wholly or mainly of dealing in land, in commodities or futures or in shares, securities or other financial instruments,
- (b) has a trade which is not carried on on a commercial basis and in such a way that profits in the trade can reasonably be expected to be realised,
- (c) is a holding company of a group other than a trading group, or
- (d) is a building society or a registered industrial and provident society,

“group” (except in sections 576B and 576G) means a company which has one or more 51% subsidiaries together with that or those subsidiaries,

“holding company” means a company whose business consists wholly or mainly in the holding of shares or securities of companies which are its 51% subsidiaries,

“investment company” has the meaning given by section 130 except that it does not include the holding company of a trading group,

“registered industrial and provident society” means a society registered or treated as registered under the Industrial and Provident Societies Act 1965 or the Industrial and Provident Societies Act (Northern Ireland) Act 1969,

“shares”—

- (a) includes stock, but
- (b) does not include shares or stock not forming part of a company's ordinary share capital,

“trading company” means a company other than an excluded company which is—

- (a) a company whose business consists wholly or mainly of the carrying on of a trade or trades, or
- (b) the holding company of a trading group, and

“trading group” means a group the business of whose members, when taken together, consists wholly or mainly in the carrying on of a trade or trades.

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- (2) Except as provided by subsection (3), paragraph (b) of the definition of “shares” in subsection (1) does not apply in the definition of “excluded company” in subsection (1) or in section 576J(1) to (4).
  - (3) Paragraph (b) of that definition applies in relation to the first reference to “shares” in section 576J(1).
  - (4) The definition of “shares” in subsection (1) does not apply in sections 576B(5)(a), 576G(3) and 576H(1)(c) and (2).
  - (5) For the purposes of the definition of “trading group” in subsection (1), any trade carried on by a subsidiary which is an excluded company is treated as not constituting a trade.”
- 133 Omit section 581A (interest on foreign currency securities etc).
- 134 (1) Amend section 582 (funding bonds issued in respect of interest on certain debts) as follows.
- (2) In subsection (1)(b) omit the words from “or section” to “income tax purposes”.
  - (3) For subsections (2) and (2A) substitute—
    - “(2) Subsection (2A) applies if an issue of funding bonds is treated as a payment of interest as mentioned in subsection (1)(a) and—
      - (a) the person by or through whom the bonds are issued is required to retain bonds under section 939(2) of ITA 2007, but
      - (b) it is impracticable for the person to do so.
    - (2A) In that case, tax in respect of the amount of interest treated by virtue of subsection (1)(a) as having been paid by the issue of the bonds shall be charged under Case VI of Schedule D for the chargeable period in which the bonds are issued on the persons receiving or entitled to the bonds.”
- 135 Omit section 582A (designated international organisations: miscellaneous exemptions).
- 136 Omit section 587A (new issues of securities: extra return).
- 137 (1) Amend section 587B (gifts of shares, securities and real property to charities etc) as follows.
- (2) In subsection (1)—
    - (a) for “Subsections (2) and (3) below apply” substitute “ Subsection (2) below applies ”, and
    - (b) for “an individual, or a company which is not itself a charity,” substitute “ a company which is not itself a charity ”.
  - (3) In subsection (2)—
    - (a) omit paragraph (a)(i),
    - (b) in paragraph (a)(ii) omit “in the case of a disposal by a company,”,
    - (c) in paragraph (b) omit the words from “of this Act” to the end, and
    - (d) omit the words from “but paragraph (a)(i)” to the end.
  - (4) Omit subsection (3).
  - (5) In subsection (5)—

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- (a) for “the person” substitute “ the company ”, and
  - (b) for “him” substitute “ it ”.
- (6) In subsection (6) for “person” substitute “ company ”.
- (7) In subsection (7)(a) for “person” substitute “ company ”.
- <sup>F5</sup>(8) . . . . .
- (9) In subsection (8B)(a)—
- (a) for “the person” substitute “ the company ”, and
  - (b) for “him” substitute “ it ”.
- (10) In subsection (9)—
- (a) for the definitions of “authorised unit trust” and “open-ended investment company” substitute—
    - ““authorised unit trust” has the meaning given by section 468;”,
  - (b) in the definition of “charity” for “each of the bodies mentioned in section 507(1);” substitute “—
    - (a) the Trustees of the National Heritage Memorial Fund;
    - (b) the Historic Buildings and Monuments Commission for England; and
    - (c) the National Endowment for Science, Technology and the Arts;”,
  - (c) in the definition of “the incidental costs of making the disposal to the person making it” for “person” substitute “ company ”, and
  - (d) after the definition of “offshore fund” insert—
    - ““open-ended investment company” is to be read in accordance with section 468A(2) to (4);”.
- (11) In subsection (9B)—
- (a) for “person”, in both places where it occurs, substitute “ company ”, and
  - (b) for “his”, in both places where it occurs, substitute “ its ”.
- (12) In subsection (9C)—
- (a) for “a person, who” substitute “ a company, which ”, and
  - (b) for “the person” substitute “ the company ”.
- (13) In subsection (12) for “section 587C” substitute “ sections 587BA and 587C ”.

**Textual Amendments**  
**F5** Sch. 1 para. 137(8) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(10\)](#)

138 After section 587B insert—

**“587BA Qualifying interests in land held jointly**

- (1) This section applies for the purposes of section 587B where a qualifying investment is a qualifying interest in land.

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- (2) Where two or more persons (“the owners”)—
  - (a) are jointly beneficially entitled to the qualifying interest in land, or
  - (b) are, taken together, beneficially entitled in common to the qualifying interest in land,relief under section 587B is available if at least one of the owners is a qualifying company and all the owners dispose of the whole of their beneficial interests in the qualifying interest in land to the charity.
- (3) Subsection (4) applies if one or more of the owners is not a company.
- (4) For the purpose of determining whether the owners' beneficial interests are disposed of as mentioned in subsection (2), section 587B(9B) and (9C) applies as if references to a company included a reference to a person who is not a company.
- (5) Relief under section 587B is available to each of the owners which is a qualifying company.
- (6) If one or more of the owners is an individual—
  - (a) the relevant amount is taken to be the relievable amount calculated for the purposes of Chapter 3 of Part 8 of ITA 2007, and
  - (b) the amount of relief under section 587B to be given to a qualifying company is such share of the relievable amount as is allocated to the company by the agreement mentioned in section 442(5) of ITA 2007.
- (7) Subsections (8) to (12) apply if none of the owners is an individual.
- (8) The amount of relief under section 587B to be given to a qualifying company is such share of the relevant amount as is allocated to the company by an agreement made between those owners which are qualifying companies.
- (9) Calculate the relevant amount as if—
  - (a) the owners were a single qualifying company, and
  - (b) the disposals of the owners' beneficial interests were a single disposal by that single company of the whole of the beneficial interest in the qualifying interest in land.
- (10) In particular, for the purposes of section 587B(7) calculate the consideration for which the disposal is made by virtue of section 257(2)(a) of the 1992 Act by—
  - (a) calculating, for each owner, the consideration for which the disposal of the owner's beneficial interest is so made, and
  - (b) adding together all the consideration calculated under paragraph (a).
- (11) If one or more of the owners is not a qualifying company, in calculating the relevant amount make just and reasonable adjustments to reduce the relevant amount to reflect the fact that relief under section 587B is not available to that owner or to those owners.
- (12) If one or more of the owners is within paragraph (b) of section 587B(8), in calculating the relevant amount make just and reasonable adjustments to reduce the relevant amount to reflect the requirements of sub-paragraph (ii) of that paragraph.

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- (13) A company is a qualifying company if—
- (a) it is not itself a charity, and
  - (b) it is not within section 587B(8)(a).”
- 139 (1) Amend section 587C (supplementary provision for gifts of real property) as follows.
- (2) Omit subsections (2) and (3).
  - (3) In subsection (4)—
    - (a) for “person” substitute “ company ”, and
    - (b) for “he” substitute “ it ”.
  - (4) In subsection (6)—
    - (a) for “person (or each of the persons) who made the disposal to the charity” substitute “ following ”, and
    - (b) at the end insert—
      - “(a) in a case to which section 587BA does not apply, the company which made the disposal, and
      - (b) in a case to which section 587BA applies, each qualifying company which is an owner.”
  - (5) In subsection (8) for the words from “the person” to “of them)” substitute “ a person mentioned in subsection (8A) ”.
  - (6) After that subsection insert—
 

“(8A) The persons are—

    - (a) in a case to which section 587BA does not apply—
      - (i) the company which made the disposal, or
      - (ii) a person connected with that company, and
    - (b) in a case to which section 587BA applies—
      - (i) a person who is an owner, or
      - (ii) a person connected with such a person.”
  - (7) In subsection (10)—
    - (a) omit paragraph (a) and the “and” immediately after it, and
    - (b) in paragraph (b) omit “in the case of a company,”.
- 140 In section 615(3) (exemption from tax in respect of certain pensions) for “section 349(1)” substitute “ Chapter 6 of Part 15 of ITA 2007 (deduction from annual payments and patent royalties) ”.
- 141 In section 657(2)(b) (purchased life annuities to which section 656 applies) after “or 273” insert “ of this Act or section 459 of ITA 2007 ”.
- 142 In section 658(4)(b) (supplementary) omit “(notwithstanding anything in section 348)”.
- 143 In section 659E(1) (treatment of income from property investment LLPs) at the end insert “ (see section 1004 of ITA 2007) ”.
- 144 Omit section 660C(3) (nature of charge on settlor).
- 145 Omit sections 685A to 687 (liability of trustees).



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- 146 (1) Amend section 687A (discretionary payments made by trustees to companies) as follows.
- (2) In subsection (1) for paragraph (b) substitute—  
“(b) sections 494 and 495 of ITA 2007 apply in relation to the payment;”.
- (3) In subsection (2)(a) for “charity” substitute “charitable company”.
- (4) In subsection (3)—
- (a) in paragraph (a)(iii) for “paragraph 5(1) of Schedule 16” substitute “section 952 of ITA 2007 (set off of income tax suffered against income tax payable)”, and
- (b) in paragraph (c) for “section 687(2)” substitute “section 494 of ITA 2007”.
- (5) In the sidenote for “Payments to companies under section 687” substitute “Discretionary payments by trustees to companies”.
- 147 Omit section 689A (disregard of trustees' expenses where beneficiary non-UK resident).
- 148 (1) Amend section 689B (order in which trustees' expenses are to be set against income) as follows.
- (2) In subsection (3) for the words from “to which section 1A applies” to the end substitute “of the trustees which is savings income (within the meaning of section 18 of ITA 2007).”
- (3) Omit subsection (4).
- (4) At the end insert—  
“(5) This section applies for corporation tax purposes only.”
- 149 Omit sections 690 to 694.
- 150 Omit section 698A.
- 151 In section 699A(4)(b) (untaxed sums comprised in the income of the estate) for “lower rate” substitute “savings rate”.
- 152 In section 701(3A) (interpretation of sections 695 to 700) for “lower rate”, wherever it occurs, substitute “savings rate”.
- 153 In the heading for Chapter 1 of Part 17 (cancellation of tax advantages from certain transactions in securities) for “TAX” substitute “CORPORATION TAX”.
- 154 (1) Amend section 703 (cancellation of tax advantage) as follows.
- (2) In subsection (1)—
- (a) for “person” substitute “company”,
- (b) for “tax”, in both places where it occurs, substitute “corporation tax”,
- (c) for “he” substitute “it”, and
- (d) for “him” substitute “it”.
- (3) In subsection (2)—
- (a) for “tax” substitute “corporation tax”,
- (b) for “person” substitute “company”, and
- (c) for “him” substitute “it”.

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- (4) In subsection (3)—
- (a) for “tax advantage”, in both places where it occurs, substitute “ corporation tax advantage ”,
  - (b) for “person” substitute “ company ”,
  - (c) for “him”, in both places where it occurs, substitute “ it ”,
  - (d) omit “in the case of corporation tax”, and
  - (e) for “liability to tax” substitute “ liability to corporation tax ”.
- (5) Omit subsection (3A).
- (6) In subsection (9)—
- (a) for “person”, in both places where it occurs, substitute “ company ”,
  - (b) for “him”, wherever it occurs, substitute “ it ”, and
  - (c) for “his” substitute “ its ”.
- (7) In subsection (10) for “person” substitute “ company ”.
- (8) Omit subsection (11).
- (9) In subsection (12)—
- (a) for “tax advantage”, in both places where it occurs, substitute “ corporation tax advantage ”,
  - (b) for “chargeable period”, in the second place where it occurs, substitute “ accounting period ”, and
  - (c) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- (10) In the sidenote for “tax” substitute “ corporation tax ”.
- 155 (1) Amend section 704 (the prescribed circumstances) as follows.
- (2) After “The circumstances mentioned in section 703(1) are” insert “ as follows (and in this section references to “the section 703(1) company” are references to the company referred to in that section) ”.
- (3) In paragraph A—
- (a) for “person in question” substitute “ section 703(1) company ”,
  - (b) in paragraph (a) for “tax” substitute “ corporation tax ”, and
  - (c) omit from “, or” at the end of paragraph (da) to the end of paragraph (g).
- (4) In paragraph B(1)—
- (a) for “person in question” substitute “ section 703(1) company ”, and
  - (b) for “him”, wherever it occurs, substitute “ it ”.
- (5) In paragraph B(2) for “tax advantage” substitute “ corporation tax advantage ”.
- (6) In paragraph C(1)—
- (a) for “person in question”, in both places where it occurs, substitute “ section 703(1) company ”,
  - (b) at the end of sub-paragraph (b) add “or section 687 of ITA 2007”, and
  - (c) for “he” substitute “ it ”.
- (7) In paragraph D(1) for “person in question” substitute “ section 703(1) company ”.
- (8) In paragraph E—

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- (a) in sub-paragraph (1) for “person in question” substitute “ section 703(1) company ”,
  - (b) in sub-paragraph (2)—
    - (i) for “person” substitute “ company ”,
    - (ii) for “tax”, in both places where it occurs, substitute “ corporation tax ”, and
    - (iii) for “the year” substitute “ the accounting period ”, and
  - (c) in the definition of “non-taxable” in sub-paragraph (3)—
    - (i) for “person” substitute “ section 703(1) company ”, and
    - (ii) for “tax” substitute “ corporation tax ”.
- 156 (1) Amend section 705 (appeals against Board's notices under section 703) as follows.
- (2) In subsection (1)—
    - (a) for “person to whom” substitute “ company to which ”, and
    - (b) for “him” substitute “ it ”.
  - (3) In subsection (2)—
    - (a) for “he”, in the first place where it occurs, substitute “ the company ”, and
    - (b) for “he or they” substitute “ the company or the Board ”.
- 157 (1) Amend section 705A (statement of case by tribunal for opinion of High Court) as follows.
- (2) In subsections (1) and (2) for “his” substitute “ its ”.
  - (3) In subsection (3) for “he” substitute “ that party ”.
  - (4) In subsection (5)—
    - (a) for “he” and “the party requiring it” substitute “ that party ”, and
    - (b) for “his” substitute “ that party's ”.
  - (5) In subsections (10) and (11)(a) and (b) for “tax” substitute “ corporation tax ”.
- 158 In section 705B(1) (proceedings in Northern Ireland) for the words from “the Taxes Acts” to “shall have effect” substitute “ the Management Act and the Corporation Tax Acts shall have effect ”.
- 159 (1) Amend section 707 (procedure for clearance in advance) as follows.
- (2) In subsection (1)—
    - (a) for “person”, wherever it occurs, substitute “ company ”, and
    - (b) for “him”, wherever it occurs, substitute “ it ”.
  - (3) In subsection (3) for “person” substitute “ company ”.
- 160 In section 708 (power to obtain information)—
  - (a) for “person”, in both places where it occurs, substitute “ company ”,
  - (b) for “whom” substitute “ which ”,
  - (c) for “him”, wherever it occurs, substitute “ it ”, and
  - (d) for “his” substitute “ its ”.
- 161 (1) Amend section 709 (meaning of “tax advantage” and other expressions) as follows.

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- (2) In subsection (1) for “tax”, in each place where it occurs, substitute “ corporation tax ”.
  - (3) In subsection (4)(a) for “he”, in both places where it occurs, substitute “ the recipient ”.
  - (4) In subsection (6)(a)—
    - (a) for “he”, in both places where it occurs, substitute “ the recipient ”, and
    - (b) for “him” substitute “ the recipient ”.
  - (5) In the sidenote for “ “tax advantage”” substitute “corporation tax advantage” .
- 162 Omit sections 710 to 727A (accrued income scheme).
- 163 (1) Amend section 728 (information) as follows.
- (2) In subsection (1) for “sections 710 to 727A” substitute “ Part 12 of ITA 2007 (accrued income profits) ”.
  - (3) In subsection (2) omit the words from “In relation to transactions before” to the end.
  - (4) In subsection (5) for “sections 710 to 727A” substitute “ Part 12 of ITA 2007 (accrued income profits) ”.
  - (5) After subsection (8) insert—
    - “(9) In this section “securities” has the meaning given by section 619 of ITA 2007.”

F<sup>6</sup>164 .....

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**Textual Amendments**

F6 Sch. 1 paras. 164-166 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(14\)](#)

F<sup>6</sup>165 .....

.....

**Textual Amendments**

F6 Sch. 1 paras. 164-166 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(14\)](#)

F<sup>6</sup>166 .....

.....

**Textual Amendments**

F6 Sch. 1 paras. 164-166 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(14\)](#)

- 167 (1) Amend section 731 (application and interpretation of sections 732 to 734) as follows.
  - (2) In subsection (2A) after “737A(5)” insert “ below or section 602(1) of ITA 2007 ”.
  - (3) In subsection (9) in the definition of “securities” for “for the purposes of sections 710 to 728” substitute “ within the meaning of Chapter 2 of Part 12 of ITA 2007 (accrued income profits) ”.
- 168 Omit section 733(2) (persons entitled to exemptions).

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- 169 In section 734(1) (persons other than dealers in securities) for “section 380 or 381” substitute “ section 64 or 72 of ITA 2007 ”.
- 170 In section 736(4) (company dealing in securities: distribution materially reducing value of holding) for “section 839 shall have effect in relation to paragraph (b) above” substitute “ , for the purposes of paragraph (b) above, whether persons are connected is determined in accordance with section 839, but ”.
- 171 (1) Amend section 736B (deemed manufactured payments in the case of stock lending arrangements) as follows.
- (2) In subsection (2)—
- (a) after “that Schedule” insert “ , and section 97 of the Finance Act 1996 (loan relationships: manufactured interest), ”, and
- (b) after “apply” insert “ for corporation tax purposes ”.
- (3) In subsection (2A)—
- (a) in paragraph (a) omit “income tax or”, and
- (b) in paragraph (b) omit “total income or, as the case may be,”.
- 172 (1) Amend section 736C (deemed interest: cash collateral under stock lending arrangements) as follows.
- (2) In subsections (2), (3) and (4) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- (3) Omit subsection (8).
- (4) In subsection (11) in the definition of “tax advantage” for “section 709(1)” substitute “ section 840ZA ”.

F<sup>7</sup>173 .....

**Textual Amendments**

**F7** Sch. 1 para. 173 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(14\)](#)

F<sup>8</sup>174 .....

**Textual Amendments**

**F8** Sch. 1 para. 174 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(14\)](#)

- 175 In section 737D(1) (power to provide for manufactured payments to be eligible for relief)—
- (a) after “from” insert “ corporation ”, and
- (b) omit the words from “ , 613(4) or” to “Act 2004”.
- 176 (1) Amend section 737E (power to modify sections 727A, 730A, 730BB and 737A to 737C) as follows.
- (2) In subsections (1) and (2) omit “727A,”.
- (3) In subsections (4) and (6)(b) omit “or 263D”.
- (4) In the sidenote omit “727A,”.

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- 177 Omit sections 739 to 746 (transfer of assets abroad).
- 178 In section 747(4) (imputation of chargeable profits and creditable tax of controlled foreign companies) omit paragraph (b) and the “and” immediately before it.
- 179 (1) Amend section 761 (offshore income gains) as follows.
- (2) In subsection (6)—
- (a) for “charity” in the first place where it occurs, substitute “ charitable company ”,
- (b) for “tax” substitute “ corporation tax ”, and
- (c) omit the words from “; but” to the end.
- (3) After that subsection insert—
- “(6A) See section 535 of ITA 2007 for an exemption for income tax purposes for offshore income gains accruing to a charitable trust.
- (6B) If property held on charitable trusts ceases to be subject to charitable trusts and that property represents directly or indirectly an offshore income gain, the trustees shall be treated as if they had disposed of and immediately reacquired that property for a consideration equal to its market value, any gain (calculated in accordance with Schedule 28) accruing being treated as an offshore income gain not accruing to a charity.
- (6C) In this section “charity” and “charitable company” have the same meaning as in section 506 and “market value” has the same meaning as in the 1992 Act.”
- 180 In section 762 (offshore income gains accruing to persons resident or domiciled abroad)—
- (a) in subsection (5)—
- (i) in paragraph (a) for “sections 739 and 740” substitute “ Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad) ”, and
- (ii) in paragraph (b) for “those sections” substitute “ that Chapter ”, and
- (b) in subsection (6) for “section 739 or 740 above” substitute “ Chapter 2 of Part 13 of ITA 2007 ”.
- 181 In section 763 (deduction of offshore income gain in determining capital gain) for subsection (8) substitute—
- “(8) For the purposes of subsection (7)(b) above, whether the person who made the disposal is connected with another person is determined in accordance with section 839.”
- 182 Omit section 775 (sale by individual of income derived from his personal activities).
- 183 In section 775A(4)(c) (transfer of rights to receive annual payments) for “(annual payments that are not charges on income)” substitute “ (certain annual payments not to form part of the income of a company for corporation tax purposes) ”.
- 184 (1) Amend section 776 (transactions in land: taxation of capital gains) as follows.
- (2) In subsection (1) for “persons” substitute “ companies ”.
- (3) In subsection (3)—
- (a) for “Tax Acts” substitute “ Corporation Tax Acts ”, and
- (b) for “person by whom” substitute “ company by which ”.

*Status: Point in time view as at 03/01/2008.*

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- (4) In subsection (3A) omit paragraph (a).
  - (5) Omit subsection (3B).
  - (6) In subsection (6)—
    - (a) in paragraph (a)—
      - (i) omit “Part 2 of ITTOIA 2005 or”, and
      - (ii) for “person” substitute “ company ”, and
    - (b) in paragraph (b) omit from “section 158” to “be)”.
  - (7) In subsection (7)—
    - (a) omit “Part 2 of ITTOIA 2005 or”, and
    - (b) for “person who” substitute “ company which ”.
  - (8) In subsection (8)—
    - (a) for “some other person” substitute “ another person which is a company ”, and
    - (b) for “that other person” substitute “ that company ”.
  - (9) Omit subsection (9).
  - (10) In subsection (11)—
    - (a) for “person” wherever it occurs substitute “ company ”,
    - (b) for “who” substitute “ which ”,
    - (c) for “he”, in the first two places where it occurs, substitute “ it ”, and
    - (d) for “his”, in the first place where it occurs, substitute “ its ”.
- 185 (1) Amend section 777 (provisions supplementary to sections 775 and 776) as follows.
- (2) In subsection (1) for the words from “sections 775” to the end substitute “ section 776 ”.
  - (3) In subsection (2)—
    - (a) for “the relevant provisions” substitute “ section 776 and this section ”, and
    - (b) for “sections 775 and 776” substitute “ section 776 ”.
  - (4) In subsection (4) for “the relevant provisions” substitute “ section 776 and this section ”.
  - (5) In subsection (6)—
    - (a) for “the relevant provisions” substitute “ section 776 and this section ”, and
    - (b) for “sections 775 and 776” substitute “ section 776 ”.
  - (6) In subsection (7) for “the relevant provisions” to “receipts)” substitute “ section 776 and this section ”.
  - (7) In subsection (8)—
    - (a) for “a person” substitute “ a company ”,
    - (b) for “tax under the relevant provisions” substitute “ corporation tax under section 776 ”,
    - (c) in paragraph (a) for “he”, in both places where it occurs, substitute “ it ”,
    - (d) in paragraph (b) for “the person”, in both places where it occurs, substitute “ the company ”, and

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- (e) omit the second sentence.
- (8) Omit subsection (9).
- (9) In subsection (10) for “Sections 775 and 776 have” substitute “ Section 776 has ”.
- (10) In subsection (11) for “person” substitute “ company ”.
- (11) For subsection (12) substitute—
- “(12) Where under section 776(8) the company charged to corporation tax is not the person (“P”) by whom the gain was realised and the tax has been paid, then for the purposes of sections 37 and 39 of the 1992 Act (profits taxable as income excluded from tax on chargeable gains) P shall be regarded as having been charged to that tax.”
- (12) In subsection (13)—
- (a) for “the relevant provisions” substitute “ section 776 and this section ”,
- (b) for “ “capital amount” ” to “accordingly” substitute—
- ““capital”, in relation to a gain, means that, apart from section 776, the gain does not fall to be included in any calculation of income for corporation tax purposes;”, and
- (c) omit the words from “and any” to the end.
- (13) In the sidenote for “sections 775 and 776” substitute “ section 776 ”.
- 186 In section 778 (power to obtain information)—
- (a) in subsection (1) for “sections 775 and 776” substitute “ section 776 ”.
- (b) in subsection (2)(b)—
- (i) for “sections 775 and 776” substitute “ section 776 ”, and
- (ii) for “those sections” substitute “ that section ”.
- 187 In section 779(13)(ca) (sale and lease-back: limitation on tax reliefs)—
- (a) for “section 836B” substitute “ section 1016 of ITA 2007 ”, and
- (b) for “section 392” substitute “ section 152 of ITA 2007 ”.
- 188 In section 780 (sale and lease-back: taxation of consideration received) after subsection (3B) insert—
- “(3C) An amount charged to income tax by virtue of subsection (3A)(a) above is treated for income tax purposes as an amount of income.”
- 189 (1) Amend section 781 (assets leased to traders and others) as follows.
- (2) After subsection (1) insert—
- “(1A) An amount charged to income tax under subsection (1) above is treated for income tax purposes as an amount of income.”
- (3) In subsection (4)(ab)—
- (a) for “section 836B” substitute “ section 1016 of ITA 2007 ”, and
- (b) for “section 392” substitute “ section 152 of ITA 2007 ”.
- 190 In section 785 (definitions for the purposes of sections 781 to 784) in the definition of “capital sum” for “section 836B” substitute “ section 1016 of ITA 2007 ”.
- 191 (1) Amend section 789 (double taxation arrangements made under old law) as follows.



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- (2) In subsection (2) for paragraph (a) substitute—
- “(a) to bear income tax at—
- (i) the savings rate, where that income is savings income;
- (ii) the dividend ordinary rate, where that income is dividend income; or
- (iii) the basic rate, in any other case; and”.
- (3) In subsection (2)(b) for the words from “except” to the end substitute “except—
- (i) for the purpose of section 274 (limits on relief under sections 266 and 273); and
- (ii) for the purpose of calculating “adjusted net income” for the purposes of Chapter 1 of Part 7 of this Act (see section 256A) or Chapters 2 and 3 of Part 3 of ITA 2007 (see section 58 of that Act).”
- 192 In section 793 (reduction of United Kingdom taxes by amount of credit due) after subsection (2) insert—
- “(3) Credit against income tax is given effect at Step 6 of the calculation in section 23 of ITA 2007.”
- 193 (1) Amend section 796 (limits on credit for foreign tax: income tax) as follows.
- (2) In subsection (1) after “Income Tax Acts” insert “, except a reduction under section 26 of FA 2005”.
- (3) After subsection (2) insert—
- “(2A) See section 29(2) and (3) of ITA 2007 (tax reductions limited by reference to tax liability) for further limits on the total amount of credit for foreign tax to be allowed to a person against income tax.”
- [<sup>F9</sup>(4) In subsection (3) for “less any income tax which he is entitled to charge against any other person” substitute “less the total amount of the tax treated under section 414 of ITA 2007 (gift aid) as deducted from gifts made by him in that year”.]
- [<sup>F10</sup>(5) [<sup>F11</sup>Sub-paragraphs (2) and (3) do not] have effect in relation to section 796 as applied by section 277(1) of TCGA 1992 (application of double taxation relief provisions for capital gains purposes).]

#### Textual Amendments

- F9** Sch. 1 para. 193(4) substituted (retrospective with effect in accordance with art. 1(2) of the amending S.I.) by [The Income Tax Act 2007 \(Amendment\) \(No. 2\) Order 2009 \(S.I. 2009/2859\)](#), [art. 4\(6\)\(a\)](#)
- F10** Sch. 1 para. 193(5) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [Income Tax Act 2007 \(Amendment\) \(No.3\) Order 2007 \(S.I. 2007/3506\)](#), [arts. 1\(1\), 3\(5\)](#)
- F11** Words in Sch. 1 para. 193(5) substituted (retrospective with effect in accordance with art. 1(2) of the amending S.I.) by [The Income Tax Act 2007 \(Amendment\) \(No. 2\) Order 2009 \(S.I. 2009/2859\)](#), [art. 4\(6\)\(b\)](#)

- 194 In section 798C (disallowed credit: use as deduction) for subsection (2) substitute—
- “(2) The taxpayer's income shall be treated as reduced by the amount of disallowed credit.

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- (3) Subsection (2) applies only in so far as the amount of disallowed credit does not exceed the amount of any loss attributable to the income or gain in respect of which the foreign tax was paid.
- (4) For the purpose of subsection (3), payment of the foreign tax is to be taken into account despite section 795(2).”
- 195 In section 801A (restriction of relief for underlying tax) for subsection (9) substitute—
- “(9) For the purposes of this section, whether a person is connected with another is determined in accordance with section 839.”
- 196 In section 803(10) (underlying tax reflecting interest on loans) for “section 839” to the end substitute “ , for the purposes of that subsection, whether a company is connected with a bank is determined in accordance with section 839. ”
- 197 (1) Amend section 804 (relief against income tax in respect of income arising in years of commencement) as follows.
- (2) In subsection (5B)(a) for the words from “be treated” to “excess” substitute “ be chargeable for that year to an amount of income tax equal to the excess ”.
- (3) Omit subsection (6).
- 198 (1) Amend section 807 (sale of securities with or without accrued interest) as follows.
- (2) In subsection (1)(a) for “section 714(2) as receiving annual profits or gains on the day an interest period ends” substitute “ section 628(5) of ITA 2007 as making accrued income profits in an interest period ”.
- (3) In subsection (1)(b) for “chargeable period in which the day falls” substitute “ tax year in which the accrued income profits are treated as made by virtue of section 617(2) of that Act ”.
- (4) In the full-out words of subsection (1)—
- (a) for “profits or gains”, in each place where it occurs, substitute “ accrued income profits ”, and
- (b) omit “or corporation tax”.
- (5) In subsection (2)(b) for “which is treated as reduced by virtue of section 714(5)” substitute “ as respects which the person is entitled to an exemption from liability to income tax under section 679 of ITA 2007 ”.
- (6) In subsection (2) for “R is the amount by which it is treated as reduced” substitute “ R is the amount of the exemption ”.
- (7) For subsection (5) substitute—
- “(5) Expressions used in this section and in Chapter 2 of Part 12 of ITA 2007 (accrued income profits) have the same meaning as in that Chapter.”
- (8) Omit subsection (6).
- 199 In section 809(1)(a) (relief in respect of discretionary trusts) for the words from the beginning to “687(2)” substitute “ income tax is treated under section 494 of ITA 2007 as having been paid in relation to a payment made by the trustees of a settlement ”.

*Status: Point in time view as at 03/01/2008.*

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- 200 In section 811(2) (deduction for foreign tax where no credit allowable)—  
(a) insert “ and ” immediately after paragraph (a), and  
(b) omit paragraph (b) and the “and” immediately after it.
- 201 In section 812(5) (withdrawal of right to tax credit of certain non-resident companies connected with unitary states) for paragraph (c) substitute—  
“(c) whether a person is connected with another is determined in accordance with section 839;”.
- 202 In section 816 (disclosure of information)—  
(a) in subsection (3) after “bank” insert “ (within the meaning of that subsection) ”, and  
(b) omit subsection (3A).
- 203 Omit section 818 (arrangements for payments of interest less tax or of fixed net amount).
- 204 Omit section 819 (old references to standard rate tax).
- 205 In section 821(3) (under-deductions from payments made before passing of annual Act)—  
(a) for paragraph (a) substitute—  
“(a) any payment to which section 906 of ITA 2007 applies (certain royalties etc where usual place of abode of owner is abroad), and”, and  
(b) omit paragraph (aa) and the “and” immediately after it.
- 206 Omit section 823 (adjustments of reliefs where given at different times).
- 207 Omit section 827A (territorial scope of charges under certain provisions to which section 836B applies).
- 208 (1) Amend section 828 (orders and regulations made by the Treasury or the Board) as follows.
- (2) In subsection (1) for “other provision of the Tax Acts” substitute “ provision of the Corporation Tax Acts not contained in this Act ”.
- (3) In subsection (2) omit “841(1)(b) or”.
- (4) In subsection (3) for “other provision of the Tax Acts” substitute “ provision of the Corporation Tax Acts not contained in this Act ”.
- (5) In subsection (4)—  
(a) omit “1(6),”  
(b) omit “257C, 582A(1),” and  
(c) omit “or section 82(4)(d) of the Capital Allowances Act”.
- (6) In subsection (5)—  
(a) before “section 717 of ITEPA 2003” insert “ section 570B of the Capital Allowances Act or ”,  
(b) omit “or section 873 of ITTOIA 2005”,  
(c) in paragraph (a) after “regulations under” insert “ the Capital Allowances Act or ”, and  
(d) in paragraph (a) omit “or ITTOIA 2005”.

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- 209 Omit section 829 (application of Income Tax Acts to public departments and avoidance of exempting provisions).
- 210 In section 830(1) (territorial sea) omit “income tax and”.
- 211 In section 831(3) (interpretation of ICTA) after the definition of “ITTOIA 2005” insert—
- ““ITA 2007” means the Income Tax Act 2007;”.
- 212 (1) Amend section 832 (interpretation of the Tax Acts) as follows.
- (2) In subsection (1)—
- (a) for “In the Tax Acts, except” substitute “ In the Corporation Tax Acts, except ”,
- (b) omit the definitions of “basic rate” and “basic rate limit”,
- (c) omit the definition of “higher rate”,
- (d) omit the definition of “industrial assurance business”,
- (e) omit the definition of “interest”,
- (f) omit the definitions of “investment LLP” and “property investment LLP”,
- (g) omit the definition of “lower rate”,
- (h) in the definition of “notice” omit “or in a form authorised (in relation to the case in question) by directions under section 118 of the Finance Act 1998”,
- (i) in the definition of “overseas property business” omit paragraph (a) and, in paragraph (b), omit “for the purposes of corporation tax,”,
- (j) omit the definition of “preference dividend”,
- (k) in the appropriate place insert—
- ““property investment LLP” has the meaning given by section 842B;”,
- (l) omit the definition of “the rate applicable to trusts”,
- (m) omit the definition of “relevant foreign income”,
- (n) omit the definitions of “starting rate” and “starting rate limit”,
- (o) omit the definition of “step-child”,
- (p) in the definition of “tax credit”, in paragraph (a) omit “for the purposes of corporation tax” and omit paragraph (b),
- (q) omit the definitions of “the dividend ordinary rate”, “the dividend trust rate” and “the dividend upper rate”,
- (r) omit the definition of “UK property business”, and
- (s) for the definition of “unit trust scheme” substitute—
- ““unit trust scheme” has the same meaning as in the Income Tax Acts (see section 1007 of ITA 2007);”.
- (3) After subsection (2) insert—
- “(2A) Chapter 2 of Part 9 of ITA 2007 (which relates to settlements and trustees) applies for the purposes of the Corporation Tax Acts as it applies for the purposes of the Income Tax Acts.”
- (4) In subsection (4A) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- (5) Omit subsection (5).

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- (6) In the sidenote for “Tax Acts” substitute “ Corporation Tax Acts etc ”.
- 213 Omit section 833 (interpretation of the Income Tax Acts).
- 214 In section 834(1) (interpretation of the Corporation Tax Acts), at the end insert—  
““venture capital trust” has the same meaning as in Part 6 of ITA 2007.”
- 215 Omit section 835 (“total income” in the Income Tax Acts).
- 216 Omit section 836 (returns of total income).
- 217 Omit section 836B (table of provisions to which that section applies).
- 218 Omit section 837 (“annual value” of land).
- 219 (1) Amend section 837A (meaning of “research and development”) as follows.
- (2) In subsection (1) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- (3) In subsection (2) for “regulations under subsection (3)” substitute “ subsections (2A) and (2B) ”.
- (4) For subsections (3) and (4) substitute—  
“(2A) Activities that, as a result of regulations made under section 1006 of ITA 2007, are “research and development” for the purposes of that section are also “research and development” for the purposes of this section.  
  
(2B) And activities that, as a result of any such regulations, are not “research and development” for the purposes of that section are also not “research and development” for the purposes of this section.”
- 220 In section 837B(1) (meaning of “oil and gas exploration and appraisal”) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- 221 In section 837C(1) and (5) (meaning of “offshore installation”) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- 222 In section 838(1) (subsidiaries) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- 223 (1) Amend section 839 (connected persons) as follows.
- (2) In subsection (1) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- (3) In subsection (3B)(b) for the words from “in whom” to “vested” substitute—  
“(i) in whom the property comprised in the settlement is for the time being vested, or  
(ii) in whom the management of that property is for the time being vested.”
- 224 In section 840 (meaning of “control” in certain contexts) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- 225 After section 840 insert—  
  
**“840ZA Meaning of “tax advantage”**  
  
(1) In any provision of the Corporation Tax Acts in relation to which it is provided that “tax advantage” has the meaning given by this section, “tax advantage” means—

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- (a) a relief from tax or increased relief from tax,
  - (b) a repayment of tax or increased repayment of tax,
  - (c) the avoidance or reduction of a charge to tax or an assessment to tax, or
  - (d) the avoidance of a possible assessment to tax.
- (2) For the purposes of subsection (1)(c) and (d) it does not matter whether the avoidance or reduction is effected—
- (a) by receipts accruing in such a way that the recipient does not pay or bear tax on them, or
  - (b) by a deduction in calculating profits or gains.
- (3) In this section “relief from tax” includes—
- (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.”
- 226 In section 840A(1) (banks)—
- (a) after “In any provision” insert “ of the Corporation Tax Acts ”, and
  - (b) after paragraph (c) insert—
    - “(ca) the European Investment Bank; or”.

F12 227 .....

#### Textual Amendments

**F12** Sch. 1 para. 227 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 6\(5\)](#)

- 228 In section 842(1) (investment trusts) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- 229 Omit section 842AA (venture capital trusts).
- 230 In section 842A(1) (meaning of “local authority”) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- 231 (1) Amend section 842B (meaning of “investment LLP” and “property investment LLP”) as follows.
- (2) In subsection (1)—
- (a) for “this Act” substitute “ the Corporation Tax Acts ”, and
  - (b) omit paragraph (a) and the “and” immediately after it.
- (3) In subsection (2) omit “an investment LLP or”.
- (4) In the sidenote omit “ “investment LLP” and”.
- 232 (1) Amend Schedule 14 (provisions ancillary to section 266) as follows.
- (2) In paragraph 2 after sub-paragraph (1) insert—
- “(1A) In sub-paragraph (1)(a) “industrial assurance business” means any industrial assurance business within the meaning given by—
- (a) section 1(2) of the Industrial Assurance Act 1923, or

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- (b) Article 3(1) of the Industrial Assurance (Northern Ireland) Order 1979,  
which was carried on before 1 December 2001.”
- (3) In paragraph 6(1) for “subsections (6) and (7)” substitute “ subsection (7) ”.
- (4) In paragraph 8 after sub-paragraph (3) insert—
- “(3A) In sub-paragraph (3) “industrial assurance business” means any industrial assurance business within the meaning given by—
- (a) section 1(2) of the Industrial Assurance Act 1923, or
- (b) Article 3(1) of the Industrial Assurance (Northern Ireland) Order 1979,  
which was carried on before 1 December 2001.”
- 233 In Part 1 of Schedule 15 (qualifying policies for the purposes of section 267) after paragraph 20 insert—
- “Meaning of “industrial assurance business”*
- 20A** In this Part of this Schedule “industrial assurance business” means any industrial assurance business within the meaning given by—
- (a) section 1(2) of the Industrial Assurance Act 1923, or
- (b) Article 3(1) of the Industrial Assurance (Northern Ireland) Order 1979,  
which was carried on before 1 December 2001.”
- 234 Omit Part 1 of Schedule 15B (venture capital trusts: relief from income tax).
- 235 Omit Schedule 16 (collection of income tax on company payments).
- 236 In paragraph 2(b) of Schedule 19B (petroleum extraction activities: exploration expenditure supplement) after “section 837B” insert “ of this Act and section 1003 of ITA 2007 ”.
- 237 (1) Amend Schedule 20 (charities: qualifying investments and loans) as follows.
- (2) In paragraph 8 for the words from “for corporation tax” to the end substitute “ section 56(5) ”.
- (3) In paragraph 9(1) for “charity”, in both places where it occurs, substitute “ charitable company ”.
- (4) In paragraph 10(1)—
- (a) in paragraph (b) for “charity”, in both places where it occurs, substitute “ charitable company ”, and
- (b) in paragraph (d) for “charity”, in both places where it occurs, substitute “ charitable company ”.
- (5) In the heading for “Charities” substitute “ Charitable companies ”.
- 238 (1) Amend Schedule 23A (manufactured dividends and interest) as follows.
- (2) In paragraph 1(1)—
- (a) omit the definition of “interest manufacturer”,

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- (b) in the definition of “manufactured dividend”, “manufactured interest” and “manufactured overseas dividend” omit “, “manufactured interest”” and “, 3”, and
  - (c) after that definition insert—
    - ““manufactured interest” means an amount—
    - (a) which is representative of a periodical payment of interest on United Kingdom securities, and
    - (b) which, under a contract or other arrangements for the transfer of the securities, one of the parties is required to pay to the other;”.
- (3) In paragraph 2 (manufactured dividends on UK equities: general)—
- (a) in sub-paragraph (2) before “Tax” insert “ Corporation ”,
  - (b) in sub-paragraph (3)(b) before “Tax” insert “ Corporation ”,
  - (c) omit sub-paragraph (3)(c) and the “and” immediately before it,
  - (d) in sub-paragraph (6)(a) omit “to which sub-paragraph (3) above applies”,
  - (e) in sub-paragraph (6) after paragraph (a) insert “, and
  - (aa) the dividend manufacturer is a non-UK resident company within the charge to corporation tax,”, and
  - (f) in sub-paragraph (7)(c) after “sub-paragraph (3)(b) above” insert “ or section 573(2) of ITA 2007 ”.
- (4) Omit paragraphs 2A to 3A (deductibility of manufactured payment in case of manufacturer of UK equities; manufactured interest on UK securities: general; and manufactured interest on gilt-edged securities etc).
- (5) In paragraph 4 (manufactured overseas dividends)—
- (a) omit sub-paragraphs (2) to (3B),
  - (b) in sub-paragraph (4)—
    - (i) for “sub-paragraph (2) above” substitute “ section 922(2) of ITA 2007 (amount of income tax to be deducted at source) ”,
    - (ii) for “sub-paragraph (3) above” substitute “ section 923 of that Act (income tax to be accounted for and paid) ”,
    - (iii) for “Tax Acts” substitute “ Corporation Tax Acts ”,
    - (iv) omit the words from “as they apply” to “branch or agency in the United Kingdom”,
    - (v) in paragraph (a) for “persons” substitute “ companies ”, for “him” substitute “ the recipient ” and for “under sub-paragraph (2) above” substitute “ under section 922(2) of ITA 2007 ”, and
    - (vi) in paragraph (b) for “persons” substitute “ companies ” and for “him” substitute “ the recipient ”,
  - (c) in sub-paragraph (5) omit paragraph (a),
  - (d) omit sub-paragraph (6),
  - (e) omit sub-paragraphs (7) and (7AA), and
  - (f) in sub-paragraph (9) before “Tax” insert “ Corporation ”.
- (6) In paragraph 7 (irregular manufactured payments)—
- (a) in sub-paragraph (1)—
    - (i) omit “manufactured interest or”,
    - (ii) omit “3 or”,



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- (iii) omit “interest or”,
  - (iv) omit “, as the case may be” where it occurs for the first time,
  - (v) omit “, 3(1)”,
  - (vi) for “Tax Acts” substitute “ Corporation Tax Acts ”, and
  - (vii) for “paragraphs 2 or 3” substitute “ paragraph 2 ”,
  - (b) in sub-paragraph (1A) omit “manufactured interest or”,
  - (c) in sub-paragraph (3)—
    - (i) for “Tax Acts” substitute “ Corporation Tax Acts ”,
    - (ii) omit “3(1) or”,
    - (iii) omit “manufactured interest or”, and
    - (iv) omit “3 or”, and
  - (d) in sub-paragraph (4)(b) omit “or set off” and “income or”.
- (7) In paragraph 7A(10) for the definition of “tax advantage” substitute—  
““tax advantage” has the meaning given by section 840ZA;”.
- (8) In paragraph 8 (dividend manufacturing regulations: general)—
- (a) in sub-paragraph (1)—
    - (i) omit “, manufactured interest” in both places where it occurs,
    - (ii) omit “, interest manufacturers”,
    - (iii) for “2 to 4” substitute “ 2 and 4 ”, and
    - (iv) before “Tax Acts” insert “ Corporation ”,
  - (b) in sub-paragraph (1A)—
    - (i) before “Tax Acts” insert “ Corporation ”, and
    - (ii) omit “or the 1992 Act”,
  - (c) in sub-paragraph (2)—
    - (i) omit paragraphs (c) and (d),
    - (ii) omit “or to”, and
    - (iii) omit “, manufactured interest or manufactured overseas dividends”,
  - (d) omit sub-paragraph (2A), and
  - (e) in sub-paragraph (3)—
    - (i) in paragraph (a) after “apply” insert “ for corporation tax purposes ”, and
    - (ii) omit paragraph (b).
- 239 In Schedule 28AA (provision not at arm's length) in paragraph 5(7) for paragraphs (a) and (b) substitute—  
“(a) disregarded income within the meaning given by section 813 of ITA 2007 (limits on liability to income tax of non-UK residents), or  
(b) disregarded company income within the meaning given by section 816 of that Act.”
- 240 Omit Schedule 28B (venture capital trusts: meaning of “qualifying holding”).

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## PART 2

### OTHER ENACTMENTS

#### *Chevening Estate Act 1959 (c. 49)*

- 241 In section 2(1A)(a) of the Chevening Estate Act 1959 (provisions as to income tax, estate duty and stamp duty) for “section 505(1A) of the Income and Corporation Taxes Act 1988” substitute “ section 533(2) of the Income Tax Act 2007 ”.

#### *Taxes Management Act 1970 (c. 9)*

- 242 The Taxes Management Act 1970 is amended as follows.
- 243 In section 6(1) (declarations on taking office) at the end of paragraph (c) add “or section 704 of ITA 2007”.
- 244 In section 7(6) (notice of liability to income tax and capital gains tax) for “lower rate” substitute “ savings rate ”.
- 245 (1) Amend section 12AB(1) (partnership return to include partnership statement) as follows.
- (2) In paragraph (a)—
- (a) insert the word “ and ” at the end of sub-paragraph (ii), and
- (b) omit sub-paragraph (iv) and the “and” immediately before it.
- (3) In paragraph (b) for “tax, credit or charge” substitute “ tax or credit ”.
- 246 In section 12B(4A)(a) (records to be kept for purposes of returns) for sub-paragraph (ii) substitute—
- “(ii) section 495(1) or 975(2) or (4) of ITA 2007 (statements about deduction of income tax),”.
- 247 (1) Amend section 17 (interest paid or credited by banks etc without deduction of income tax or after deduction of income tax) as follows.
- (2) In subsection (1) after “bank” insert “ or building society ”.
- (3) In subsection (1A) for “section 840A of the principal Act” substitute “ section 991 of ITA 2007 ”.
- (4) After subsection (6) insert—
- “(7) In the application of this section in relation to building societies, references to interest include references to dividends.
- For this purpose “dividend” includes any distribution (whether or not described as a dividend).”
- (5) In the sidenote after “banks” insert “ , building societies ”.
- 248 In section 21(5A) (transactions in securities etc) for “Schedule 23A to the principal Act” substitute “ Chapter 2 of Part 11 or Chapter 9 of Part 15 of ITA 2007 ”.
- 249 In section 24(3A) (power to obtain information as to income from securities) for “section 840A of the principal Act” substitute “ section 991 of ITA 2007 ”.

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- 250 In section 31C(2)(b) (appeals: appeals to Special Commissioners) for “section 350 of the principal Act” substitute “section 963(3) of ITA 2007.
- 251 In section 36(3A) (fraudulent or negligent conduct)—
- (a) after “section 257BA of the principal Act” insert “ or any of sections 47 to 49 of ITA 2007 ”, and
  - (b) for “(elections as to transfer of married couple's allowance)” substitute “ (tax reductions for married couples and civil partners: elections to transfer relief) ”.
- 252 (1) Amend section 37A (effect of assessment where allowances transferred) as follows.
- (2) For “income tax reduction or deduction from total income” in both places where it occurs substitute “ deduction from net income or tax reduction ”.
  - (3) After “spouse” insert “ or civil partner ”.
  - (4) After “the principal Act” insert “ or section 39, 51 or 52 of ITA 2007 ”.
- 253 In section 42(7) (procedure for making claims etc)—
- (a) in paragraph (a) omit “723(3),”,
  - (b) omit “and” at the end of paragraph (d), and
  - (c) after paragraph (e) insert “and
  - (f) sections 668 and 669 of ITA 2007.”
- 254 In section 43A(2A) (further assessments: claims etc)—
- (a) in paragraph (a) after “section 257BA of the principal Act” insert “ or any of sections 47 to 49 of ITA 2007 ”,
  - (b) in paragraph (a) for “(election as to transfer of married couple's allowance)” substitute “ (tax reductions for married couples and civil partners: elections to transfer relief) ”, and
  - (c) in paragraph (b) for “that Act” substitute “ the principal Act ”.
- 255 (1) Amend section 46B (questions to be determined by Special Commissioners) as follows.
- (2) In subsection (4)—
    - (a) in paragraph (c) for “sections 740 and 743(1) of the principal Act” substitute “ sections 720, 727 and 731 of ITA 2007 ”, and
    - (b) in paragraph (d) for “of that Act” substitute “ of the principal Act ”.
  - (3) In subsection (5) after paragraph (d) insert “, or
  - (e) section 1013 of ITA 2007,”.
- 256 (1) Amend section 46C as follows.
- (2) In subsection (1)(b) omit “of the principal Act”.
  - (3) In subsection (3)—
    - (a) omit “of the principal Act”,
    - (b) in paragraph (b) after “460” insert “ of the principal Act ”,
    - (c) in paragraph (c) after “467” insert “ of the principal Act ”,
    - (d) in paragraph (d) for “sections 527 and 536 (reliefs in respect of royalties)” substitute “ section 527 of the principal Act (spreading of patent royalty receipts) ”,

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- (e) in paragraph (e) after “Part XVIII” insert “ of the principal Act ”, and
  - (f) after that paragraph insert—
    - “(f) Part 10 of ITA 2007 (charitable trusts: claims for exemption);
    - (g) sections 461 and 908 of ITA 2007 (reliefs in respect of royalties).”
- 257 In section 55(1) (recovery of tax not postponed)—
- (a) omit paragraph (c), and
  - (b) in paragraph (d) for “that Act” substitute “ the principal Act ”.
- 258 For section 87 (interest on income tax on company payments) substitute—

**“87 Interest on overdue income tax deducted at source**

- (1) Income tax which is assessable under Chapter 15 of Part 15 of ITA 2007 carries interest at the rate applicable under section 178 of the Finance Act 1989 from the date when it was due under section 951 of ITA 2007 until payment.
  - (2) Subsection (1) applies—
    - (a) whether or not an assessment is made, and
    - (b) whether or not income tax which is assessed has been paid when the assessment is made.
  - (3) Subsection (1) applies even if the date when the income tax should have been paid is a non-business day as defined by section 92 of the Bills of Exchange Act 1882.
  - (4) Subsection (5) applies to any income tax which—
    - (a) was payable under Chapter 15 of Part 15 of ITA 2007 (collection: deposit-takers, building societies and certain companies) in respect of payments within section 946 of that Act made in a return period,
    - (b) was not paid on the date when it was due under section 951 of that Act, and
    - (c) has subsequently been discharged or repaid under section 953 of that Act because the person who made the payments received payments on which it suffered income tax by deduction in a later return period.
  - (5) The income tax carries interest under subsection (1) from the date when it was due under section 951 of ITA 2007 until the earliest of—
    - (a) the date when the income tax was paid,
    - (b) the date when the person delivered a return for the later return period, and
    - (c) the expiry of 14 days after the end of that period,
 but subsection (1) does not otherwise apply to the income tax.
  - (6) In this section “return period” means a period for which a return is required to be made under Chapter 15 of Part 15 of ITA 2007.”
- 259 In section 91(3)(c) (effect on interest of reliefs) for “lower rate” substitute “ savings rate ”.
- 260 (1) Amend section 98 (special returns etc) as follows.

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- (2) In subsection (4A)(a) for “section 350(1) of, or Schedule 16 to, the principal Act” substitute “ Chapter 15 or 16 of Part 15 of ITA 2007 ”.
- (3) In subsection (4B) for paragraphs (a) to (d) substitute—
- “(a) the payment is made by a company, local authority or qualifying partnership (within the meaning of section 932 of ITA 2007) without an amount representing income tax on the payment being deducted from it,
  - (b) at the time the payment is made, the company, authority or partnership—
    - (i) does not believe that the payment is an excepted payment for the purposes of Chapter 11 of Part 15 of ITA 2007 (payments between companies etc: exception from duties to deduct), or
    - (ii) if it does so believe, cannot reasonably do so,
  - (c) the payment is one from which tax is deductible under Part 15 of ITA 2007 unless the company, authority or partnership reasonably believes that it is an excepted payment for the purposes of Chapter 11 of that Part, and
  - (d) the payment is not an excepted payment at the time the payment is made.”
- (4) Omit subsection (4C).
- (5) For subsection (4D) substitute—
- “(4D) A payment is within this subsection if—
- (a) it is a payment from which a sum representing income tax must be deducted under Chapter 6 (deduction from annual payments and patent royalties) or 7 (deduction from other payments connected with intellectual property) of Part 15 of ITA 2007,
  - (b) a company, purporting to rely on section 911 of that Act (double taxation arrangements: deduction at treaty rate), deducts less from the payment than required by those Chapters, and
  - (c) at the time the payment is made the payee (as defined in section 913 of that Act) is not entitled to relief under double taxation arrangements (as defined in section 1023 of that Act) and the company—
    - (i) does not believe that it is entitled to such relief, or
    - (ii) if it does so believe, cannot reasonably do so.”
- (6) For subsection (4DA) substitute—
- “(4DA) A payment is within this subsection if—
- (a) it is a payment from which a sum representing income tax must be deducted under Chapter 6 (deduction from annual payments and patent royalties) or 7 (deduction from other payments connected with intellectual property) of Part 15 of ITA 2007,
  - (b) a company, purporting to rely on section 914 of ITA 2007 (EU companies: discretion to make payment gross), makes the payment without deducting a sum representing income tax, and

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- (c) at the time the payment is made the payment is not exempt from income tax as a result of section 758 of ITTOIA 2005 (exemption for certain interest and royalty payments) and the company—
- (i) does not believe that the payment is so exempt, or
  - (ii) if it does so believe, cannot reasonably do so.”
- (7) In subsection (4E)(b) for “section 349(2) of the principal Act” substitute “ section 874 of ITA 2007 ”.
- (8) In the first column of the Table—
- (a) omit the entry relating to regulations under section 42A of ICTA,
  - (b) omit the entry relating to regulations under section 476(1) of ICTA,
  - (c) omit the entry relating to regulations under section 477A(1) of ICTA,
  - (d) omit the entry relating to section 482(3) of ICTA,
  - (e) omit the entry relating to regulations under section 482(11) of ICTA,
  - (f) omit the entry relating to section 483 of ICTA,
  - (g) omit the entry relating to regulations under section 555(7) of ICTA,
  - (h) omit the entry relating to section 745(1) of ICTA,
  - (i) omit the entry relating to paragraph 5(2) of Schedule 15B to ICTA,
  - (j) omit the entry relating to regulations under paragraph 11B(5) of Schedule 28B to ICTA,
  - (k) omit the entry relating to section 86(12) of FA 1995,
  - (l) omit the entry relating to regulations under Schedule 33 to FA 2002, and
  - (m) at the end insert—
 

“sections 242 and 243(1) and (2) of ITA 2007;  
 section 271(2) of ITA 2007;  
 regulations under Chapter 5 of Part 6 of ITA 2007;  
 regulations under section 330(5) of ITA 2007;  
 section 703 of ITA 2007;  
 section 748(1) and (2) of ITA 2007;  
 section 771 of ITA 2007;  
 section 788 of ITA 2007;  
 section 862 of ITA 2007;  
 regulations under section 871(1) of ITA 2007;  
 regulations under section 969(1) of ITA 2007;  
 regulations under section 971(1) of ITA 2007;  
 paragraph 155(5) of Schedule 2 to ITA 2007.”
- (9) In the second column of the Table—
- (a) omit the entry relating to regulations under section 42A of ICTA,
  - (b) omit the entry relating to section 350(1) of ICTA,
  - (c) omit the entry relating to regulations under section 476(1) of ICTA,

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- (d) omit the entry relating to regulations under section 477A(1) of ICTA,
- (e) omit the entry relating to section 482(2) of ICTA,
- (f) omit the entry relating to regulations under section 482(11) of ICTA,
- (g) omit the entry relating to regulations under section 555(7) of ICTA,
- (h) omit the entry relating to paragraph 5(1) of Schedule 15B to ICTA,
- (i) omit the entry relating to Schedule 16 to ICTA,
- (j) omit the entry relating to regulations under Schedule 33 to FA 2002,
- (k) omit the entry relating to regulations under section 122 of FA 2006, and
- (l) at the end insert—

“sections 240 and 241 of ITA 2007;

section 271(1) of ITA 2007;

regulations under Chapter 5 of Part 6 of ITA 2007;

section 373 of ITA 2007;

regulations under section 871(1) of ITA 2007;

Chapter 15 of Part 15 of ITA 2007;

Chapter 16 of Part 15 of ITA 2007;

regulations under section 969(1) of ITA 2007;

regulations under section 971(1) of ITA 2007;

regulations under section 973(1) of ITA 2007.”

- (10) After the paragraph at the end of the Table insert— “References in this Table to sections 240, 241, 242 and 243(1) and (2) of ITA 2007 are to provisions that apply only in relation to shares issued after 5 April 2007. ”

261 In section 99A (certificates of non-liability to income tax) for “section 477A of the principal Act (building societies) or section 480B of that Act (deposit-takers)” substitute “ section 852 of ITA 2007 ”.

262 After section 99A insert—

**“99B Declarations under Chapter 2 of Part 15 of ITA 2007**

Where a person fraudulently or negligently gives any incorrect information in a declaration under any of sections 858 to 861 of ITA 2007, the person shall be liable to a penalty not exceeding £3,000.”

263 In section 118(1) (interpretation)—

- (a) in the definition of “company” for “section 832(1) of the principal Act (with section 468 of that Act)” substitute “ section 992(1) of ITA 2007 (with section 468 of the principal Act) ”, and

- (b) after the definition of “ITTOIA 2005” insert—

““ITA 2007” means the Income Tax Act 2007.”.

264 In paragraph 9(2) of Schedule 1A (claims etc not included in returns)—

- (a) in paragraph (a) for “(personal reliefs for non-residents)” substitute “ or section 56 or 460 of ITA 2007 (residence etc of claimants) ”, and

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(b) in paragraph (c) for “of that Act” substitute “ of the principal Act ”.

*Finance Act 1971 (c. 68)*

265 Omit section 21 of, and Schedule 3 to, the Finance Act 1971 (occupational pension schemes).

*Biological Standards Act 1975 (c. 4)*

266 In section 2(4A)(a) of the Biological Standards Act 1975 (general provisions about the Board) for “section 505(1A) of the Income and Corporation Taxes Act 1988” substitute “ section 533(2) of the Income Tax Act 2007 ”.

*House of Commons Disqualification Act 1975 (c. 24)*

267 In Part 3 of Schedule 1 to the House of Commons Disqualification Act 1975 (offices disqualifying for membership: other disqualifying offices) after “section 706 of the Income and Corporation Taxes Act 1988” insert “ or section 704 of the Income Tax Act 2007 ”.

*Inheritance Tax Act 1984 (c. 51)*

268 The Inheritance Tax Act 1984 is amended as follows.

269 In section 157(6) (non-residents' bank accounts) for “section 840A of the Taxes Act 1988” substitute “ section 991 of the Income Tax Act 2007 ”.

270 In section 204(5) (limitation of liability) for “section 739 or 740 of the Taxes Act 1988” substitute “ Chapter 2 of Part 13 of the Income Tax Act 2007 ”.

271 In section 272 (general interpretation) in the definition of “authorised unit trust” for the words from “section 469” to “section)” substitute “ the Income Tax Acts (see section 1007 of the Income Tax Act 2007) ”.

*Administration of Justice Act 1985 (c. 61)*

272 In paragraph 36(3) of Schedule 2 to the Administration of Justice Act 1985—

(a) for “sections 745(3) and” substitute “ section ”, and

(b) after “1988” insert “ and sections 749, 771(5) and (6) and 788(5) and (6) of the Income Tax Act 2007 ”.

*Building Societies Act 1986 (c. 53)*

273 In section 8(9) of the Building Societies Act 1986 (raising funds and borrowing) for “482(6) of the Income and Corporation Taxes Act 1988” substitute “ 866(2) and (3) of the Income Tax Act 2007 ”.

*Finance Act 1988 (c. 39)*

274 The Finance Act 1988 is amended as follows.

275 (1) Amend section 130 (provisions for securing payment by company of outstanding tax) as follows.

(2) In subsection (7)—



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- (a) in paragraph (a), for “203 of the Taxes Act 1988” substitute “ 684 of the Income Tax (Earnings and Pensions) Act 2003 ”,
  - (b) in paragraph (b), for “to which section 350(4)(a) of that Act (company payments which are not distributions) applies” substitute “ within section 946 of the Income Tax Act 2007 (collection of tax: deposit-takers, building societies and certain companies) ”, and
  - (c) in paragraph (c)—
    - (i) omit sub-paragraphs (i) and (ii) and the “or” immediately before sub-paragraph (iii), and
    - (ii) in sub-paragraph (iii) for “555 of that Act” substitute “ 966 of the Income Tax Act 2007 ”.
- (3) After subsection (9) insert—
- “(9A) In this section any reference to a provision of the Income Tax (Earnings and Pensions) Act 2003 or the Income Tax Act 2007 shall be construed, in relation to any time at which a corresponding provision of the Taxes Act 1988 or an enactment repealed by that Act had effect, as a reference to that corresponding provision.”
- 276 In Schedule 6 (commercial woodlands) omit paragraph 3(3) to (5).
- 277 In paragraph 6(1)(b) of Schedule 12 (building societies: change of status) for the words from “section 477A” to the end substitute “ Chapter 2 of Part 15 of the Income Tax Act 2007 (deduction of income tax at source: deposit-takers and building societies) ”.
- Finance Act 1989 (c. 26)*
- 278 The Finance Act 1989 is amended as follows.
- 279 In section 88(1) (corporation tax: policy holders' fraction of profits) for “lower rate” substitute “ savings rate ”.
- 280 In section 111 (residence of personal representatives)—
- (a) omit subsections (1) to (3) and (6) to (8), and
  - (b) in subsection (5) omit the words “Subject to subsections (6) to (8) below,”.
- 281 (1) Amend section 151 (assessment of trustees and personal representatives) as follows.
- (2) In subsection (2)(a) omit the words from “other” to “2005,”.
  - (3) Omit subsection (2)(b) and the “and” immediately before it.
  - (4) Omit subsection (3).
- 282 In section 182(3) (disclosure of information) at the end of paragraph (d) insert “ or section 704 of the Income Tax Act 2007 ”.
- 283 (1) Amend Schedule 5 (employee share ownership trusts) as follows.
- (2) In paragraph 15 for “section 840 of the Taxes Act 1988” substitute “ section 995 of the Income Tax Act 2007 ”.
  - (3) In paragraph 16(2)—
    - (a) in paragraph (b) for “section 840 of that Act” substitute “ section 995 of the Income Tax Act 2007 ”, and

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- (b) in paragraph (c) for “that Act” substitute “ the Taxes Act 1988 ”.

*Finance Act 1990 (c. 29)*

- 284 (1) Amend section 25 of the Finance Act 1990 (c. 29) (donations to charity by individuals) as follows.
- (2) Omit subsections (1) to (9A), (11) and (13).
- (3) In subsection (10)—
- (a) for “charity”, in both places where it occurs, substitute “ charitable company ”,
- (b) after “donation” insert “ for the purposes of Chapter 2 of Part 8 of the Income Tax Act 2007 (gift aid) ”, and
- (c) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- (4) In subsection (12)(a) for “charity” substitute “ charitable company ”.

*Finance Act 1991 (c. 31)*

- 285 The Finance Act 1991 (c. 31) is amended as follows.
- 286 Omit section 53 (Income Tax (Building Society) Regulations 1986).
- 287 Omit section 72 (deduction of trading losses).

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

- 288 The Social Security Contributions and Benefits Act 1992 (c. 4) is amended as follows.
- 289 In section 4A(3)(i)(i) (earnings of workers supplied by service companies etc) for “section 839 of the Income and Corporation Taxes Act 1988” substitute “ section 993 of the Income Tax Act 2007 ”.
- 290 (1) Amend Schedule 2 (levy of Class 4 contributions with income tax) as follows.
- (2) In paragraph 1 after paragraph (ab) insert—
- “(ac) “ITA 2007” means the Income Tax Act 2007;”.
- (3) In paragraph 3—
- (a) in sub-paragraph (1)—
- (i) for “the Act of 1988” substitute “ ITA 2007 ”,
- (ii) in paragraph (a) for “sections 380 and 381” substitute “ sections 64 and 72 ”,
- (iii) in paragraph (c) for “section 385” substitute “ section 83 ”, and
- (iv) in paragraph (d) for “sections 388 and 389” substitute “ section 89 ”,
- (b) in sub-paragraph (2)—
- (i) omit “of the Act of 1988”,
- (ii) in paragraph (a) after “Chapter I of Part VII” insert “ of the Act of 1988 and Chapters 2 and 3 of Part 3 and sections 457, 458 and 459 of ITA 2007 ”,
- (iii) in paragraph (b) for “section 353” substitute “ section 383 of ITA 2007 ”,

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- (iv) omit paragraph (c), and
  - (v) in paragraph (d) for “section 390” substitute “ sections 88 and 94 of ITA 2007 ”,
  - (c) in sub-paragraph (4) for “total income” substitute “ net income ”,
  - (d) in sub-paragraph (5)—
    - (i) omit paragraph (a), and
    - (ii) in paragraph (b) for “section 353 of that Act” substitute “ section 383 of ITA 2007 ”.
- (4) In paragraph 9(4) for “section 832 of the Act of 1988” substitute “ section 989 of ITA 2007 ”.

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

- 291 The Social Security Contributions and Benefits (Northern Ireland) Act 1992 is amended as follows.
- 292 In section 4A(3)(i)(i) (earnings of workers supplied by service companies etc) for “section 839 of the Income and Corporation Taxes Act 1988” substitute “ section 993 of the Income Tax Act 2007 ”.
- 293 (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 (ab) insert—  
“(ac) “ITA 2007” means the Income Tax Act 2007;”.
- (3) In paragraph 3—
  - (a) in sub-paragraph (1)—
    - (i) for “the Act of 1988” substitute “ ITA 2007 ”,
    - (ii) in paragraph (a) for “sections 380 and 381” substitute “ sections 64 and 72 ”,
    - (iii) in paragraph (c) for “section 385” substitute “ section 83 ”, and
    - (iv) in paragraph (d) for “sections 388 and 389” substitute “ section 89 ”,
  - (b) in sub-paragraph (2)—
    - (i) omit “of the Act of 1988”,
    - (ii) in paragraph (a) after “Chapter I of Part VII” insert “ of the Act of 1988 and Chapters 2 and 3 of Part 3 and sections 457, 458 and 459 of ITA 2007 ”,
    - (iii) in paragraph (b) for “section 353” substitute “ section 383 of ITA 2007 ”,
    - (iv) omit paragraph (c), and
    - (v) in paragraph (d) for “section 390” substitute “ sections 88 and 94 of ITA 2007 ”,
  - (c) in sub-paragraph (4) for “total income” substitute “ net income ”,
  - (d) in sub-paragraph (5)—
    - (i) omit paragraph (a), and
    - (ii) in paragraph (b) for “section 353 of that Act” substitute “ section 383 of ITA 2007 ”.

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- (4) In paragraph 9(4) for “section 832 of the Act of 1988” substitute “ section 989 of ITA 2007 ”.

*Taxation of Chargeable Gains Act 1992 (c. 12)*

294 The Taxation of Chargeable Gains Act 1992 is amended as follows.

295 (1) Amend section 4 (rates of capital gains tax) as follows.

- (2) In subsection (1) for “lower rate” substitute “ savings rate ”.
- (3) In subsection (1AA) for “rate applicable to trusts under section 686 of the Taxes Act” substitute “ trust rate ”.
- (4) In subsection (1AB) for the words from “(after” to “total income” substitute “ an individual has no Step 3 income for a year of assessment or the individual's Step 3 income ”.
- (5) In subsection (1AC) for the words from “his total income” to the end substitute “ the individual's Step 3 income ”.
- (6) In subsection (4) for the words from “his total income” to the end substitute “ the individual's Step 3 income ”.
- (7) At the end insert—

“(5) For the purposes of this section the “Step 3 income” of an individual means the individual's net income less allowances deducted at Step 3 of the calculation in section 23 of ITA 2007 for the purpose of calculating the individual's income tax liability.

(6) Section 989 of ITA 2007 (the definitions) applies for the purposes of this section as it applies for income tax purposes.”

296 (1) Amend section 6 (rates of capital gains tax: special cases) as follows.

(2) In subsection (2)—

- (a) in paragraph (a) for the words from “a deduction” to “liability” substitute “ a person is entitled to relief by reference to the amount of a deficiency ”,
- (b) in paragraph (c) for “those purposes” substitute “ the purposes of extra liability ”,
- (c) for “his income” substitute “ the person's Step 3 income ”, and
- (d) for “that amount” substitute “ the amount of the deficiency or (as the case may be) the amount mentioned in paragraph (c) ”.

(3) In subsection (3) for “his total income” substitute “ the person's Step 3 income ”.

(4) Omit subsection (4).

297 For section 11 (visiting forces, agents-general etc) substitute—

**“11 Visiting forces and official agents**

- (1) If section 833 of ITA 2007 (visiting forces and staff of designated allied headquarters) applies to an individual throughout a period, the period is not treated for capital gains tax purposes as—

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- (a) a period of residence in the United Kingdom, or
  - (b) creating a change of the individual's residence or domicile.
- (2) If an individual is entitled to immunity from income tax by virtue of section 841 of ITA 2007 (which provides immunity from income tax for official agents of Commonwealth countries or the Republic of Ireland etc), the individual is entitled to the same immunity from capital gains tax as that to which a member of the staff of a mission is entitled under the Diplomatic Privileges Act 1964.
- (3) “A member of the staff of a mission” is to be read in accordance with the Diplomatic Privileges Act 1964.”
- 298 In section 16(1) (computation of losses) for “section 72 of the Finance Act 1991” substitute “ sections 261B, 261D and 263ZA ”.
- 299 In section 37 (consideration chargeable to tax on income) at the end insert—
  - “(5) If—
    - (a) because section 759(4) or (6) of ITA 2007 applies, the person charged to tax under Chapter 3 of Part 13 of that Act (transactions in land) is a person other than the person (“A”) by whom the gain was realised, and
    - (b) the income tax has been paid,for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of A.
  - (6) If—
    - (a) because section 777(5) of that Act applies, the person charged to tax under Chapter 4 of Part 13 of that Act (sales of occupation income) is a person other than the person (“B”)—
      - (i) for whom the capital amount was obtained, or
      - (ii) in the case of income treated as arising under section 779 of that Act, by whom the property or right was sold or realised, and
    - (b) the income tax has been paid,for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of B.
  - (7) In subsection (6) “capital amount” has the same meaning as in Chapter 4 of Part 13 of that Act (sales of occupation income) (see section 777(7) of that Act).”
- 300 In section 39 (exclusion of expenditure by reference to tax on income) after subsection (3) insert—
  - “(4) If—
    - (a) because section 759(4) or (6) of ITA 2007 applies, the person charged to tax under Chapter 3 of Part 13 of that Act (transactions in land) is a person other than the person (“A”) by whom the gain was realised, and
    - (b) the income tax has been paid,for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of A.”

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- 301 In section 79(8) (charge on settlor with interest in settlement etc: supplementary provisions) for “691(2) of the Taxes Act (certain income of maintenance funds for historic buildings not to be income of settlor etc)” substitute “ 508 of ITA 2007 (trustees' election in respect of income arising from heritage maintenance property) ”.
- 302 In section 97(3) (settlements etc: supplementary provisions) for “section 740(2)(b) of the Taxes Act” substitute “ section 733 of ITA 2007 ”.
- 303 In section 98(2) (power to obtain information for purposes of sections 87 to 90)—
- (a) for the words from the beginning to “745(1)” substitute “ Sections 748(3) to (5), 749 and 750 of ITA 2007 shall have effect in relation to subsection (1) above as they have effect in relation to section 748(1) and (2) of that Act ”, and
  - (b) in paragraph (a) for “Chapter III of Part XVII of the Taxes Act” substitute “ Chapter 2 of Part 13 of that Act ”.
- 304 In section 101B(1)(a) (transfer of a company's assets to VCT), for “section 842AA of the Taxes Act” substitute “ Part 6 of ITA 2007 ”.
- 305 In section 101C(7) (transfer within group to VCT), for “section 842AA of the Taxes Act” substitute “ Part 6 of ITA 2007 ”.
- 306 (1) Amend section 105A (shares acquired on the same day: elections for alternative treatment) as follows.
- (2) In subsection (4)—
- (a) after “Chapter 3 of Part 7 of the Taxes Act” insert “ , relief under Part 5 of ITA 2007 ”,
  - (b) after “section 299 of the Taxes Act” insert “ or section 246 of ITA 2007 ”,
  - (c) for “of that Act” substitute “ of the Taxes Act or subsection (3) of section 246 of ITA 2007 ”, and
  - (d) for “that section” substitute “ section 299 of the Taxes Act or subsection (4) of section 246 of ITA 2007 ”.
- (3) In subsection (7)—
- (a) after “Chapter 3 of Part 7 of the Taxes Act” insert “ or relief under Part 5 of ITA 2007 ”,
  - (b) for “that Act” substitute “ the Taxes Act or section 245 of ITA 2007 ”, and
  - (c) after “that Chapter” insert “ or relief under that Part ”.
- (4) After subsection (8) insert—
- “(9) In this section references to Part 5 of ITA 2007 or any provision of that Part are to a Part or provision that applies only in relation to shares issued after 5 April 2007.”
- 307 In section 108(1)(a) (identification of relevant securities) for “section 710 of the Taxes Act” substitute “ Chapter 2 of Part 12 of ITA 2007 (accrued income profits) ”.
- 308 (1) Amend section 119 (transfer of securities subject to the accrued income scheme) as follows.
- (2) For subsections (1) to (5) substitute—
- “(1) Where there is a transfer of securities within the meaning of Chapter 2 of Part 12 of ITA 2007 (accrued income profits)—

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- (a) if a payment is treated as made to the transferor under section 632 of that Act or by the transferor under section 633 of that Act, section 37 shall be disregarded in computing the gain accruing on the disposal concerned;
  - (b) if a payment is treated as made by the transferee under section 632 of that Act or to the transferee under section 633 of that Act, section 39 shall be disregarded in computing the gain accruing to the transferee if he disposes of the securities;but subsections (2) and (3) below shall apply.
- (2) Where the securities are transferred with accrued interest (within the meaning of that Chapter)—
  - (a) if a payment is treated as made to the transferor under section 632 of ITA 2007, an amount equal to the amount of that payment shall be excluded from the consideration mentioned in subsection (8) below;
  - (b) if a payment is treated as made by the transferee under that section, an amount equal to the amount of that payment shall be excluded from the sums mentioned in subsection (9) below.
- (3) Where the securities are transferred without accrued interest (within the meaning of that Chapter)—
  - (a) if a payment is treated as made by the transferor under section 633 of ITA 2007, an amount equal to the amount of that payment shall be added to the consideration mentioned in subsection (8) below;
  - (b) if a payment is treated as made to the transferee under that section, an amount equal to the amount of that payment shall be added to the sums mentioned in subsection (9) below.
- (3A) Subsections (3B) and (3C) below apply where there is a transfer of variable rate securities (within the meaning of that Chapter) and—
  - (a) the transferor is treated as making accrued income profits under section 630(2) of ITA 2007, or
  - (b) a payment is treated as made to the transferor under section 635 of that Act.
- (3B) Section 37 shall be disregarded in computing the gain accruing on the disposal concerned.
- (3C) An amount equal to the amount of the profits or payment shall be excluded from the consideration mentioned in subsection (8) below.
- (4) Where there is a transfer of securities with unrealised interest (within the meaning of Chapter 2 of Part 12 of ITA 2007)—
  - (a) if section 630 of that Act applies or a payment is treated as made to the transferor under section 634 of that Act, section 37 shall be disregarded in computing the gain accruing on the disposal concerned, but the relevant amount shall be excluded from the consideration mentioned in subsection (8) below;
  - (b) if section 681 of that Act applies, section 39 shall be disregarded in computing the gain accruing on the disposal concerned, but the relevant amount shall be excluded from the sums mentioned in subsection (9) below.

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- (5) In subsection (4) above “the relevant amount” means an amount equal to—
- (a) if paragraph (b) below does not apply, the amount of the unrealised interest in question (within the meaning of Chapter 2 of Part 12 of ITA 2007);
  - (b) if section 660 of that Act applies—
    - (i) in a case falling within subsection (4)(a) above, the amount taken, by virtue of section 660 or 661 of that Act (as the case may be), to be the unrealised interest value for the purposes of section 660(2) or (3) of that Act;
    - (ii) in a case falling within subsection (4)(b) above, the amount of income that is exempt from liability to income tax under section 681 of that Act.”
- (3) In subsection (6) for the words from “as if” to the end substitute “as if for “ is treated as made ”, in each place where it occurs, there were substituted “would, if the disposal were a transfer, be treated as made”.”
- (4) For subsection (7) substitute—
- “(7) Where there is a disposal of securities for the purposes of this Act which is not a transfer (within the meaning of Chapter 2 of Part 12 of ITA 2007) but, if it were such a transfer, a payment would be treated as made under section 632 or 633 of that Act, the securities shall be treated—
- (a) for the purposes of subsection (6) above, as transferred on the day of the disposal, and
  - (b) for the purposes of subsections (2) and (3) above, as transferred with accrued interest if, had the disposal been a transfer within the meaning of that Chapter, it would have been a transfer with accrued interest and as transferred without accrued interest if, had the disposal been such a transfer, it would have been a transfer without accrued interest.
- (7A) In relation to any securities which by virtue of subsection (7B) below are treated for the purposes of this subsection as having been transferred, subsection (3A) above shall have effect as if—
- (a) for “is treated as making” there were substituted “ would, if the disposal were a transfer, be treated as making ”, and
  - (b) for “is treated as made” there were substituted “ would, if the disposal were a transfer, be treated as made ”.
- (7B) Where there is a disposal of securities for the purposes of this Act which is not a transfer (within the meaning of Chapter 2 of Part 12 of ITA 2007) but, if it were such a transfer, the transferor would be treated as making accrued income profits under section 630(2) of that Act in respect of a transfer of variable rate securities or a payment would be treated as made under section 635 of that Act—
- (a) the securities shall be treated, for the purposes of subsection (7A) above, as transferred on the day of the disposal, and
  - (b) the transfer shall be treated, for the purposes of subsection (3A) above, as a transfer of variable rate securities.”



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- (5) In subsection (10) for the words from “a person is treated”, in the first place where it occurs, to “(determined under that section)”, in the first place it occurs, substitute “ a payment is treated as made to a person under section 632 or 635 of ITA 2007, or a person is treated as making accrued income profits under section 630(2) of that Act in respect of a transfer of variable rate securities, an amount equal to the amount of the payment or profits ”.
- (6) In the full-out words of subsection (10) for the words from “a person is treated” to “(determined under that section)” substitute “ a payment is treated as made by a person under section 633 of that Act an amount equal to the amount of the payment ”.

309 After section 125 insert—

*“Share loss relief*

**125A Effect of share loss relief**

- (1) If loss relief under section 573 of the Taxes Act or Chapter 6 of Part 4 of ITA 2007 (“share loss relief”) is obtained in respect of a loss or any part of a loss, no deduction is to be made in respect of the loss or (as the case may be) the part under this Act.
- (2) If a claim is made for share loss relief in respect of a loss accruing on the disposal of shares, section 30 has effect in relation to the disposal as if for the references in subsections (1)(b) and (5) to a tax-free benefit there were substituted references to any benefit whether tax-free or not.
- (3) All such adjustments of corporation tax on chargeable gains or capital gains tax are to be made, whether by way of assessment or by way of discharge or repayment of tax, as may be required in consequence of—
- (a) share loss relief being obtained in respect of an allowable loss, or
  - (b) such relief not being obtained in respect of the whole or part of such a loss in respect of which a claim is made.”

310 In section 148C(1) (deemed disposals at a loss under section 564(4) of ITTOIA 2005) for “section 392 of ICTA” substitute “ section 152 of ITA 2007 ”.

311 (1) Amend section 150A (enterprise investment schemes) as follows.

(2) In subsection (2) after “section 312 (1A)(a) of the Taxes Act” insert “ or section 159(2) of ITA 2007 ”.

(3) In subsection (3) for paragraphs (a), (aa) and (b) substitute—

- “(a) an individual's liability to income tax has been reduced (or treated by virtue of section 304 of the Taxes Act or section 245 of ITA 2007 (spouses and civil partners) as reduced) for any year of assessment under section 289A of the Taxes Act or section 158 of ITA 2007 in respect of any issue of shares,
- (b) the amount of the reduction (“A”) is less than the amount (“B”) which is equal to tax at the savings rate for that year on the amount subscribed for the issue, and
- (c) A is not found under section 289A(2)(b) of the Taxes Act or (as the case may require) is not within paragraph (b) solely by virtue of section 29(2) and (3) of ITA 2007.”

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- (4) In subsection (4) after “the Taxes Act” insert “ or as provided by section 246 of ITA 2007 ”.
- (5) In subsection (8B) for the words from “subsection (2)” to the end substitute “ section 306(2) of the Taxes Act or section 203(1) of ITA 2007 and in accordance with section 306 of the Taxes Act or sections 204 and 205 of ITA 2007 ”.
- (6) In subsection (8C) after “Taxes Act” insert “ or section 159(2) of ITA 2007 ”.
- (7) In subsection (8D)—
- (a) after “section 304A of the Taxes Act” insert “ or section 247 of ITA 2007 ”, and
  - (b) for paragraph (b) substitute—
    - “(b) the following—
      - (i) subsections (2)(b), (3) and (4) of section 304A of the Taxes Act and subsection (5) of that section so far as relating to section 306(2) of that Act, or
      - (ii) sections 247(3)(b), 248(2)(a) and 249 of ITA 2007, shall apply for the purposes of this section as they apply for the purposes of Chapter 3 of Part 7 of the Taxes Act or Part 5 of ITA 2007.”
- (8) In subsection (10A) for “the same meaning as in the Taxes Act” substitute “ the meaning given in section 989 of ITA 2007 ”.
- (9) In subsection (11)—
- (a) after “Taxes Act” insert “ or Part 5 of ITA 2007 ”, and
  - (b) after “that Chapter” insert “ or means shares that meet the requirements of section 173(2) of ITA 2007 ”.
- (10) After subsection (12) insert—
- “(13) References in this section to Part 5 of ITA 2007 or any provision of that Part are to a Part or provision that applies only in relation to shares issued after 5 April 2007.”
- 312 (1) Amend section 150B (enterprise investment scheme: reduction of relief) as follows.
- (2) In subsection (1)—
- (a) after “section 300(1A)(a) of the Taxes Act” insert “ or section 213(2)(a) of ITA 2007 ”, and
  - (b) for “that Act” substitute “ the Taxes Act or section 224(2)(a) of ITA 2007 ”.
- (3) In subsection (6) for “Subsections (11) and (12)” substitute “ Subsections (11) to (13) ”.
- 313 In section 150D (enterprise investment scheme: application of taper relief) after “or” insert “ relief under ” and after “Taxes Act” insert “ or Part 5 of ITA 2007, ”.
- 314 In section 151A(7) (venture capital trusts: reliefs) for “the meaning of the Taxes Act” substitute “ the meaning given in section 989 of ITA 2007 ”.
- 315 (1) Amend section 151B (VCTs: supplementary) as follows.
- (2) In subsection (3)—

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- (a) in paragraph (a) for “been given” substitute “ obtained ” and for “Part 1 of Schedule 15B to the Taxes Act” substitute “ Chapter 2 of Part 6 of ITA 2007 ”, and
  - (b) in paragraphs (b) and (c) for “been given” substitute “ obtained ” and for “that Part of that Schedule” substitute “ that Chapter of that Part ”.
- (3) In subsection (6)(b) for “section 842AA(8) of the Taxes Act” substitute “ section 281(3) of ITA 2007 ”.
- (4) In subsection (8)(b) for “given” substitute “ obtained ” and for “Part 1 of Schedule 15B to the Taxes Act” substitute “ Chapter 2 of Part 6 of ITA 2007 ”.

316 After section 151B insert—

**“151BA CITR: identification of securities or shares on a disposal**

- (1) This section applies for the purpose of identifying the securities or shares disposed of in any case where—
- (a) an individual or company (“the investor”) disposes of part of a holding of securities or shares (“the holding”), and
  - (b) the holding includes securities or shares to which CITR is attributable in respect of one or more years of assessment or accounting periods that have been held by the investor continuously from the time they were issued until the disposal.
- (2) Any disposal by the investor of securities or shares included in the holding which have been acquired by the investor on different days is treated as relating to those acquired on an earlier day rather than to those acquired on a later day.
- (3) If there is a disposal by the investor of securities or shares included in the holding which have been acquired by the investor on the same day, any of those securities or shares—
- (a) to which CITR is attributable, and
  - (b) which have been held by the investor continuously from the time they were issued until the time of disposal,
- are treated as disposed of after any other securities or shares included in the holding which were acquired by the investor on that day.
- (4) For the purposes of this section a holding of securities is any number of securities of a company which—
- (a) carry the same rights,
  - (b) were issued under the same terms, and
  - (c) are held by the investor in the same capacity.

It does not matter for this purpose that the number of the securities grows or diminishes as securities carrying those rights and issued under those terms are acquired or disposed of.

- (5) For the purposes of this section a holding of shares is any number of shares in a company which—
- (a) are of the same class, and
  - (b) are held by the investor in the same capacity.

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It does not matter for this purpose that the number of the shares grows or diminishes as shares of that class are acquired or disposed of.

- (6) Chapter 1 of Part 4 (share pooling, etc) has effect subject to this section.
- (7) Sections 104 to 107 (which make provision for the identification of securities and shares on a disposal) do not apply to securities or shares to which CITR is attributable.
- (8) In a case to which section 127 (equation of original shares and new holding) applies, shares included in the new holding are treated for the purposes of subsections (2) and (3) as acquired when the original shares were acquired.
- (9) In subsection (8)—
  - (a) the reference to section 127 includes a reference to that section as it is applied by virtue of any enactment relating to chargeable gains, and
  - (b) “original shares” and “new holding” have the same meaning as in section 127, or (as the case may be) that section as applied by virtue of the enactment in question.
- (10) In this section and sections 151BB and 151BC—
  - (a) if the investor is an individual—
    - (i) “CITR” has the meaning given by section 333 of ITA 2007,
    - (ii) references to CITR being attributable to securities, shares or debentures are to be read in accordance with section 357 of that Act, and
    - (iii) references to securities, shares or debentures having been held by the investor continuously are to be read in accordance with section 380 of that Act,
  - (b) if the investor is a company—
    - (i) “CITR” means relief under Part 5 of Schedule 16 to the Finance Act 2002,
    - (ii) references to CITR being so attributable are to be read in accordance with paragraph 26 of that Schedule, and
    - (iii) references to securities, shares or debentures having been held by the investor continuously are to be read in accordance with paragraph 49 of that Schedule.”

317 After section 151BA insert—

**“151BB CITR: rights issues etc**

- (1) If—
  - (a) an individual or company (“the investor”) holds shares in the CDFI which are of the same class and held in the same capacity (“the existing holding”),
  - (b) there is a reorganisation affecting the existing holding as a result of an allotment which—
    - (i) falls within section 126(2)(a) (an allotment of shares or debentures in respect of and in proportion to an original holding), and

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- (ii) is not an allotment of corresponding bonus shares,
  - (c) immediately after the reorganisation, CITR is attributable to the shares included in the existing holding or the shares or debentures allotted in respect of those shares, in respect of one or more years of assessment or accounting periods, and
  - (d) if CITR is attributable to the shares included in the existing holding at that time, those shares have been held by the investor continuously from the time they were issued until the reorganisation,
- sections 127 to 130 (treatment of share capital following a reorganisation) do not apply in relation to the existing holding.
- (2) Section 116(10) (reorganisations, conversions and reconstructions) does not apply in any case where the old asset consists of shares held (in the same capacity) by the investor—
- (a) that have been held by the investor continuously from the time they were issued until the relevant transaction, and
  - (b) to which CITR is attributable immediately before that transaction.
- In this subsection “old asset” and “the relevant transaction” have the meaning given by section 116.
- (3) For the purposes of subsection (1)—
- “corresponding bonus shares” means bonus shares that—
- (a) are issued in respect of shares included in the existing holding, and
  - (b) are in the same company, are of the same class, and carry the same rights as, those shares,
- “reorganisation” has the meaning given in section 126.
- (4) The following provisions of this Act have effect subject to this section—
- section 116 (reorganisations, conversions and reconstructions);
- Chapter 2 of Part 4 (reorganisation of share capital, conversion of securities etc).
- (5) In this section “the CDFI” is to be read—
- (a) if the investor is an individual, in accordance with section 334(2) of ITA 2007,
  - (b) if the investor is a company, in accordance with paragraph 1(2) of Schedule 16 to the Finance Act 2002.”

318 After section 151BB insert—

**“151BC CITR: company reconstructions etc**

- (1) If—
- (a) an individual or company (“the investor”) holds shares in or debentures of a company (“company A”),
  - (b) there is a reconstruction or amalgamation affecting that holding (“the existing holding”),
  - (c) immediately before the reconstruction or amalgamation, CITR is attributable to the shares or debentures included in the existing

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- holding in respect of one or more years of assessment or accounting periods, and
- (d) the shares or debentures included in the existing holding have been held by the investor continuously from the time they were issued until the reconstruction or amalgamation,
- sections 135 and 136 (share exchanges and company reconstructions) do not apply in respect of the existing holding.
- (2) Subsection (1)(a) applies only if the shares or debentures are held by the investor in the same capacity.
- (3) For the purposes of subsection (1) a “reconstruction or amalgamation” means an issue by a company of shares in or debentures of that company in exchange for or in respect of shares in or debentures of company A.
- (4) The following provisions of this Act have effect subject to this section—  
     section 116 (reorganisations, conversions and reconstructions),  
     Chapter 2 of Part 4 (reorganisation of share capital, conversion of securities etc).
- (5) The investor is treated as disposing of any securities or shares which but for subsection (1) the investor—  
     (a) would be treated as exchanging for other securities or shares by virtue of section 136, or  
     (b) would be so treated but for section 137(1) (which restricts section 136 to genuine reconstructions).”
- 319 In section 151C(5) (strips: manipulation of price: associated payment giving rise to loss) for “section 709(1)” substitute “ section 840ZA ”.
- 320 In section 151D(5) (corporate strips: manipulation of price: associated payment giving rise to loss) for “section 709(1)” substitute “ section 840ZA ”.
- 321 In section 161 (stock in trade: appropriations to and from stock) after subsection (4) insert—  
     “(5) If—  
         (a) any person is charged to income tax under section 755 of ITA 2007 (charge to tax from transactions in land) on the realisation of a gain because the condition in section 756(3)(d) is met, and  
         (b) the gain is calculated on the basis that any property was appropriated as trading stock,  
     the property shall be treated on that basis also for the purposes of this section.”
- 322 In section 169D(1) (gifts to settlor-interested settlements: exceptions) for “691(2) of the Taxes Act (certain income of maintenance funds for historic buildings not to be income of settlor etc)” substitute “ 508 of ITA 2007 (trustees' election in respect of income arising from heritage maintenance property) ”.
- 323 In section 226B(1) (private residence relief: special cases) for “691(2) of the Taxes Act (certain income of maintenance funds for historic buildings not to be income of settlor etc)” substitute “ 508 of ITA 2007 (trustees' election in respect of income arising from heritage maintenance property) ”.

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- 324 In section 231(1) and (3) (shares: special provision) after “Taxes Act” insert “ or Part 5 of ITA 2007 ”.
- 325 In section 241(3)(a) (furnished holiday lettings) for the words from “the Taxes Act)” to “that Act)” substitute “ the Income Tax Acts), or any Schedule A business (within the meaning of the Taxes Act) ”.
- 326 (1) Amend section 256 (charities) as follows.
- (2) In subsection (1) for the words “subsection (2) below” substitute “ the following provisions of this section ”.
- (3) After subsection (2) insert—
- “(3) Subsection (4) below applies if a charitable trust has a non-exempt amount under section 540 of ITA 2007 for a year of assessment.
- (4) Gains accruing to the charitable trust in the year of assessment are treated as being, and always having been, chargeable gains so far as they are attributed under section 256A to the non-exempt amount.
- (5) For restrictions on exemptions under Part 10 of ITA 2007 (special rules about charitable trusts etc) see section 539 of that Act.”
- 327 After section 256 insert—

**“256A Attributing gains to the non-exempt amount**

- (1) This section applies if a charitable trust has a non-exempt amount under section 540 of ITA 2007 for a year of assessment.
- (2) Attributable gains of the charitable trust for the year of assessment may be attributed to the non-exempt amount but only so far as the non-exempt amount has not been used up.
- (3) The non-exempt amount can be used up (in whole or in part) by—
- (a) attributable gains being attributed to it under this section, or
- (b) attributable income being attributed to it under section 541 of ITA 2007.
- (4) The whole of the non-exempt amount must be used up by—
- (a) attributable gains being attributed to the whole of it under this section,
- (b) attributable income being attributed to the whole of it under section 541 of ITA 2007, or
- (c) a combination of attributable gains being attributed to some of it under this section and attributable income being attributed to the rest of it under section 541 of ITA 2007.
- (5) See section 256B for the way in which gains are to be attributed to the non-exempt amount under this section.
- (6) In this section and section 256B a charitable trust's “attributable income”, and “attributable gains”, for a tax year have the same meaning as in Part 10 of ITA 2007 (see section 540 of that Act).

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### 256B How gains are attributed to the non-exempt amount

- (1) This section is about the ways in which attributable gains can be attributed to a non-exempt amount under section 256A.
- (2) The trustees of the charitable trust may specify the attributable gains that are to be attributed to the non-exempt amount.
- (3) A specification under subsection (2) is made by notice to an officer of Revenue and Customs.
- (4) Subsection (6) applies if—
  - (a) an officer of Revenue and Customs requires the trustees of a charitable trust to make a specification under this section, and
  - (b) the trustees have not given notice under subsection (3) of the specification before the end of the required period.
- (5) The required period is 30 days beginning with the day on which the officer made the requirement.
- (6) An officer of Revenue and Customs may determine the attributable gains that are to be attributed to the non-exempt amount.”

328 In section 257 (gifts to charities etc) after subsection (2) insert—

“(2A) Subsection (2B) applies if relief is available under Chapter 3 of Part 8 of ITA 2007 or section 587B of the Taxes Act (gifts of shares, securities and real property to charities) in relation to the disposal of a qualifying investment to a charity (whether or not a claim for relief is actually made).

- (2B) The consideration for which the charity's acquisition of the qualifying investment is treated by virtue of subsection (2) above as having been made—
- (a) is reduced by the relievable amount if relief in relation to the disposal is available only under Chapter 3 of Part 8 of ITA 2007,
  - (b) is reduced by the relevant amount if relief in relation to the disposal is available only under section 587B of the Taxes Act,
  - (c) is reduced by the relievable amount if relief in relation to the disposal is available both under that Chapter and that section as a result of section 442 of ITA 2007 and section 587BA of the Taxes Act, or
  - (d) is reduced to nil if that consideration is less than the amount referred to in paragraph (a), (b) or (c) (as the case may be).

(2C) In subsections (2A) and (2B)—

“qualifying investment” has the same meaning as in Chapter 3 of Part 8 of ITA 2007 (see section 432 of that Act),

“relevant amount” has the same meaning as in section 587B of the Taxes Act, and

“relievable amount” has the same meaning as in Chapter 3 of Part 8 of ITA 2007 (see section 434 of that Act).”

329 After section 261A insert—



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*“Deduction of trading losses or post-cessation expenditure etc*

**261B Treating trade loss etc as CGT loss**

- (1) A person may make a claim under this section if—
  - (a) relief is available to the person under section 64 or 128 of ITA 2007 (trade or employment loss relief against general income) for a tax year in relation to an amount of loss, and
  - (b) the person makes a claim under that section for the amount to be deducted in calculating the person's net income for the tax year.
- (2) A person may also make a claim under this section if—
  - (a) relief is available to the person as mentioned in subsection (1)(a) for a tax year in relation to an amount of loss, but
  - (b) the person's total income for the tax year is nil or does not include any income from which the amount can be deducted.
- (3) A claim under this section is for determining so much of the amount of the loss (“the relevant amount”) as—
  - (a) is not deducted in calculating the person's net income for the tax year, and
  - (b) has not already been taken into account for the purposes of any relief for any other tax year or any year of assessment (whether under ITA 2007, this section or otherwise).
- (4) When the relevant amount can no longer be varied—
  - (a) by the Commissioners on appeal, or
  - (b) on the order of a court,it is treated for the purposes of capital gains tax as an allowable loss accruing to the person in the year of assessment corresponding to the tax year.
- (5) But so much of the relevant amount as exceeds the maximum amount (see section 261C) is not to be treated for the purposes of capital gains tax as an allowable loss.
- (6) The excess may, however, be used in giving effect to any other loss relief under Part 4 of ITA 2007 (depending on the terms of the relief).
- (7) The amount treated as an allowable loss under this section—
  - (a) is no longer to be regarded as an amount available for income tax relief, and
  - (b) is not to be deductible from chargeable gains accruing to a person in any year of assessment that begins after the person has permanently ceased to carry on the trade, profession, vocation, employment or office in which the loss was made.
- (8) A claim under this section must be made on or before the first anniversary of the normal self-assessment filing date for the tax year in which the loss was made in the trade, profession, vocation, employment or office.

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- (9) In this section “normal self-assessment filing date”, “tax year” and “total income” have the same meaning as in the Income Tax Acts (see section 989 of ITA 2007).

### **261C Meaning of “the maximum amount” for purposes of section 261B**

- (1) For the purposes of section 261B “the maximum amount” is the amount on which the person would be chargeable to capital gains tax for the year of assessment if—
- (a) the provisions mentioned below were ignored, and
  - (b) no account were taken of the event mentioned below.
- (2) The provisions are—
- (a) section 2A (taper relief),
  - (b) section 3(1) (annual exempt amount), and
  - (c) section 261B.
- (3) The event is any event—
- (a) which occurs after the date on which the relevant amount (see section 261B(3)) can no longer be varied by the Commissioners on appeal or on the order of a court, and
  - (b) in consequence of which the amount chargeable to capital gains tax is reduced as a result of an enactment relating to capital gains tax.

### **261D Treating excess post-cessation trade or property relief as CGT loss**

- (1) A person may make a claim under this section if—
- (a) relief is available to the person under section 96 or 125 of ITA 2007 (post-cessation trade or property relief) for a tax year in relation to an amount, and
  - (b) the person makes a claim under that section to deduct the amount in calculating the person's net income for the tax year.
- (2) A person may also make a claim under this section if—
- (a) relief is available to the person as mentioned in subsection (1)(a) for a tax year in relation to an amount, but
  - (b) the person's total income for the tax year is nil.
- (3) A claim under this section is for treating for the purposes of capital gains tax so much of the amount as is not deducted in calculating the person's net income for the tax year (“the relevant amount”) as an allowable loss accruing to the person in the year of assessment corresponding to the tax year.
- (4) But so much of the relevant amount as exceeds the maximum amount (see section 261E) is not to be treated for the purposes of capital gains tax as an allowable loss.
- (5) The relevant amount is no longer to be regarded as an amount available for income tax relief.
- (6) A claim under this section must be made on or before the first anniversary of the normal self-assessment filing date for the tax year mentioned in subsection (1) or (2) (as the case may be).

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- (7) In this section “normal self-assessment filing date”, “tax year” and “total income” have the same meaning as in the Income Tax Acts (see section 989 of ITA 2007).

#### **261E Meaning of “the maximum amount” for purposes of section 261D**

- (1) For the purposes of section 261D “the maximum amount” is the amount on which the person would be chargeable to capital gains tax for the year of assessment if the following were ignored.
- (2) The matters to be ignored are—
- (a) any allowable losses falling to be carried forward to that year from a previous year for the purposes of section 2(2),
  - (b) section 3(1) (annual exempt amount), and
  - (c) any relief under section 261B or 261D.”

330 After section 261E insert—

*“Repurchase price under repos*

#### **261F Deemed manufactured payments: effect on repurchase price**

- (1) This section applies if —
- (a) the repurchase price of UK shares, UK securities or overseas securities is treated by section 604(2), (4) or (5) of ITA 2007 (deemed increase in repurchase price: repos and options) as increased for the purposes of section 607 of that Act (treatment of price differences under repos),
  - (b) condition A or B is met, and
  - (c) section 263A does not apply.
- (2) Condition A is that, as a result of the increase, there is no difference for the purposes of section 607 of that Act between the sale price and the repurchase price.
- (3) Condition B is that, as a result of an exception in section 608 of that Act, section 607 of that Act does not apply.
- (4) The deemed increase of the repurchase price also has effect for capital gains tax purposes.
- (5) Expressions used in this section and in section 605 of ITA 2007 (deemed increase in repurchase price: other income tax purposes) have the same meanings in this section as in that section.”

331 After section 261F insert—

#### **“261G Price differences under repos: effect on repurchase price**

- (1) Subsections (2) and (3) apply if—
- (a) section 607 of ITA 2007 (treatment of price differences under repos) applies,
  - (b) an amount is treated under that section as a payment of interest, and

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(c) section 263A does not apply.

- (2) If the repurchase price is more than the sale price, the repurchase price is treated for capital gains tax purposes as reduced by the amount of the payment of interest.
- (3) If the sale price is more than the repurchase price, the repurchase price is treated for capital gains tax purposes as increased by the amount of the payment of interest.
- (4) Expressions used in this section and in section 609 of ITA 2007 (additional income tax consequences of price differences under repos) have the same meanings in this section as in that section.”

332 After section 261G insert—

**“261H Power to modify section 261G in non-arm's length case**

- (1) The Treasury may by regulations provide for section 261G to apply with modifications if the exception in section 608(2) of ITA 2007 (agreement not at arm's length) would otherwise prevent it from applying.
- (2) Regulations under this section may make different provision for different cases.
- (3) Regulations under this section may contain incidental, supplemental, consequential and transitional provision and savings.
- (4) The incidental, supplemental, and consequential provision may include modifications of section 261F (deemed manufactured payments: effect on repurchase price).
- (5) In this section “modifications” includes exceptions and omissions.
- (6) Accordingly, the power in subsection (1) includes power to provide for any provision of section 261G not to apply in relation to the case mentioned in that subsection.”

333 (1) Amend section 263ZA (former employees: employment-related liabilities) as follows.

- (2) In subsection (1)(a)—
  - (a) for “from total income” substitute “ in calculating net income ”, and
  - (b) for “when computing a former employee's total income” substitute “ in calculating a former employee's net income ”.

(3) In subsection (1)(b) for “the total income” substitute “ the remaining total income ”.

(4) In subsection (2)(b) for “the total income” substitute “ the remaining total income ”.

(5) After subsection (2) insert—

“(2A) In this section “the remaining total income”, in relation to a tax year, means the former employee's total income for the tax year less reliefs already deducted for the tax year at Step 2 of the calculation in section 23 of ITA 2007 for the purpose of calculating the former employee's income tax liability.”

(6) In subsection (5)—

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- (a) in paragraph (d) for “against capital gains tax under section 72 of the Finance Act 1991” substitute “under section 261B”, and
- (b) in paragraph (e) for “against capital gains tax under section 90(4) of the Finance Act 1995” substitute “under section 261D”.

F13334 .....

#### Textual Amendments

**F13** Sch. 1 para. 334 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(14\)](#)

335 (1) Amend section 263D (gains accruing to persons paying manufactured dividends) as follows.

(2) In subsection (2)(b) and (d) for “United Kingdom equities” substitute “UK shares”.

(3) In subsection (3)(b) and (d) for “United Kingdom equities” substitute “UK shares”.

(4) In subsection (4)(a), (b) and (d) for “United Kingdom equities” substitute “UK shares”.

(5) In subsection (7) for “paragraph 2A of Schedule 23A to the Taxes Act” substitute “sections 574 and 575 of ITA 2007 (manufactured dividends: allowable deductions)”.

(6) In subsection (9)—

(a) for “paragraph 2 of Schedule 23A to the Taxes Act” substitute “Chapter 2 of Part 11 of ITA 2007 (manufactured payments)”,

(b) in paragraph (a)—

(i) for “section 737A(5) of that Act” substitute “section 602(1) of that Act (deemed manufactured payments: repos)”, and

(ii) for “Schedule 23A” substitute “that Chapter of that Part of that Act”, and

(c) in paragraph (b)—

(i) for “section 736B(2) of that Act” substitute “section 596(2) of that Act (deemed manufactured payments: stock lending arrangements)”, and

(ii) for “that Schedule” substitute “that Chapter of that Part of that Act”.

(7) In subsection (10) for the words from “the following” to “and, in any such case,” substitute “those in which there is a repo for the purposes of Part 11 of ITA 2007 (see section 569 of that Act); and, in any such case,”.

(8) In subsection (12)—

(a) for “United Kingdom equities” substitute “UK shares”, and

(b) for “paragraph 1(1) of Schedule 23A to the Taxes Act” substitute “section 566(2) of ITA 2007”.

336 After section 263E insert—

#### “263F Power to modify repo provisions: non-standard repo cases

(1) The Treasury may by regulations provide for—

(a) section 261F (deemed manufactured payments: effect on repurchase price),

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- (b) section 261G (price differences under repos: effect on repurchase price),
  - (c) section 263A (agreements for sale and repurchase of securities),
  - (d) section 263D (gains accruing to persons paying manufactured dividends), or
  - (e) any of those sections,
- to apply with modifications in relation to non-standard repo cases.
- (2) The power in subsection (1) to make provision for section 263A or 263D to apply with modifications is exercisable only so far as the section applies to cases falling within section 607 of ITA 2007 (treatment of price differences under repos).
- (3) A case is a non-standard repo case if—
- (a) there is a repo in respect of securities,
  - (b) under the repo there has been a sale (“the original sale”) of the securities by the original owner to the interim holder, and
  - (c) any of conditions A to E is met in relation to the repo.
- (4) Condition A is that—
- (a) the obligation to buy back the securities is not performed, or
  - (b) the option to buy them back is not exercised.
- (5) Condition B is that provision is made by or under an agreement for different or additional UK shares, UK securities or overseas securities to be treated as (or as included with) representative securities.
- (6) Condition C is that provision is made by or under an agreement for any UK shares, UK securities or overseas securities to be treated as not included with representative securities.
- (7) Condition D is that provision is made by or under an agreement for the sale price or repurchase price to be decided or varied wholly or partly by reference to post-agreement fluctuations.
- (8) Condition E is that provision is made by or under an agreement for a person to be required, in a case where there are post-agreement fluctuations, to make a payment in the period—
- (a) beginning immediately after the making of the agreement for the original sale, and
  - (b) ending when the repurchase price becomes due.
- (9) Expressions used in this section and in section 612 of ITA 2007 (powers to modify repo provisions: non-standard repo cases) have the same meanings in this section as in that section.”

337 After section 263F insert—

**“263G Power to modify repo provisions: redemption arrangements**

- (1) The Treasury may by regulations provide for—
- (a) section 261F (deemed manufactured payments: effect on repurchase price),

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- (b) section 261G (price differences under repos: effect on repurchase price),
  - (c) section 263A (agreements for sale and repurchase of securities),
  - (d) section 263D (gains accruing to persons paying manufactured dividends), or
  - (e) any of those sections,
- to apply with modifications in relation to cases involving redemption arrangements.
- (2) The power in subsection (1) to make provision for section 263A or 263D to apply with modifications is exercisable only so far as the section applies to cases falling within section 607 of ITA 2007 (treatment of price differences under repos).
  - (3) A case involves redemption arrangements if—
    - (a) arrangements, corresponding to those made in cases where there is a repo, are made by an agreement, or one or more related agreements, in relation to securities that are to be redeemed in the period after their sale,
    - (b) the securities are UK shares, UK securities or overseas securities, and
    - (c) the arrangements are such that the seller or a person connected with the seller (instead of being required to repurchase the securities or acquiring an option to do so) is granted rights in respect of the benefits that will result from the redemption.
  - (4) Expressions used in this section and in section 613 of ITA 2007 (powers to modify repo provisions: redemption arrangements) have the same meanings in this section as in that section.”

338 After section 263G insert—

**“263H Sections 263F and 263G: supplementary provisions**

- (1) Regulations under section 263F or 263G may make different provision for different cases.
- (2) Regulations under either section may contain incidental, supplemental, consequential and transitional provision and savings.
- (3) The incidental, supplemental and consequential provision may include—
  - (a) in the case of regulations about section 261G, modifications of section 261F, and
  - (b) in the case of regulations about section 263A or 263D, modifications of the operation of this Act in relation to cases where, by virtue of the regulations, any acquisition or disposal is excluded from those which are to be ignored for the purposes of capital gains tax.
- (4) In this section and sections 263F and 263G “modifications” includes exceptions and omissions.
- (5) Accordingly, a power in sections 263F and 263G to provide for a provision to apply with modifications in relation to a particular case includes power to provide for the provision not to apply in relation to that case.”

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339 After section 263H insert—

**“263I Powers about manufactured overseas dividends**

- (1) The Treasury may by regulations make provision as mentioned in subsection (2) about prescribed cases where a person—
  - (a) pays or receives a manufactured overseas dividend as mentioned in section 581(1) of ITA 2007 (manufactured overseas dividends), or
  - (b) is treated as doing so for any purposes of Chapter 2 of Part 11 of that Act or regulations made under it (manufactured payments).
- (2) The regulations may provide for adjusting a relevant amount by reference to a provision which has effect under the law of a territory outside the United Kingdom.
- (3) A “relevant amount” is an amount which is treated for prescribed capital gains tax purposes as the amount paid or payable to a person in respect of a relevant transaction.
- (4) A “relevant transaction” is a sale, repurchase or other transfer of the overseas securities to which the manufactured overseas dividend relates.
- (5) In this section “prescribed” means prescribed in regulations under this section.
- (6) Subject to that, expressions used in this section and in section 582 of ITA 2007 (manufactured payments: powers about manufactured overseas dividends) have the same meanings in this section as in that section.”

340 (1) Amend section 271 (miscellaneous exemptions) as follows.

(2) In subsection (3) for the words from “In this subsection” to the end substitute—

“In this subsection—

“health service body” has the meaning given by section 519A of the Taxes Act, and

“local authority association” has the meaning given by section 1000 of ITA 2007.”

(3) After subsection (7) insert—

“(7A) Chargeable gains are exempt from tax if they accrue to a bank, or issue department of a bank, to which this subsection applies for the time being.

(7B) Her Majesty may by Order in Council direct that subsection (7A) applies to a bank or its issue department if it appears to Her Majesty that the bank—

- (a) is not resident in the United Kingdom, and
- (b) is entrusted by the government of a territory outside the United Kingdom with the custody of the territory's principal foreign exchange reserves.

(7C) No recommendation may be made to Her Majesty in Council to make an order under subsection (7B) unless a draft of the order has been laid before and approved by a resolution of the House of Commons.”



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341 After section 285 insert—

**“285A European Economic Interest Groupings**

- (1) The following rules about European Economic Interest Groupings apply for the purposes of charging tax in respect of chargeable gains—

*Rule 1*

A grouping is treated as acting as the agent of its members.

*Rule 2*

The activities of a grouping are treated as those of its members acting jointly.

*Rule 3*

Each member of a grouping is treated as having a share of the grouping's property, rights and liabilities.

*Rule 4*

Any trade or profession carried on by the grouping is treated as carried on in partnership by members of the grouping.

*Rule 5*

A person is to be regarded as acquiring or disposing of a share of the assets of the grouping not only where there is an acquisition or disposal of assets by the grouping while he is a member of it, but also where he becomes or ceases to be a member of a grouping or there is a change in his share of the property of the grouping.

- (2) For the purposes of Rule 3, a member's share of any property, rights or liabilities of a grouping is determined according to the contract under which the grouping is established.
- (3) If the contract does not provide for this, the member's share is determined by reference to the share of the profits of the grouping to which the member is entitled under the contract.
- (4) If the contract does not provide for this either, the members are treated as having equal shares of the property, rights and liabilities of the grouping.
- (5) “European Economic Interest Grouping” means a European Economic Interest Grouping formed under Council Regulation (EEC) No 2137/85 of 25th July 1985, whether registered in Great Britain, Northern Ireland or elsewhere.”

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

(2) In subsection (1)—

- (a) in the definition of “allowable loss” after “16” insert “, 261B, 261D”,
- (b) after the definition of “ITTOIA 2005” insert—

““ITA 2007” means the Income Tax Act 2007;”,

- (c) in the definition of “local authority” for “section 842A of the Taxes Act” substitute “ section 999 of ITA 2007 ”,

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- (d) after the definition of “the Management Act” insert—
    - ““net income” has the same meaning as in the Income Tax Acts (see section 989 of ITA 2007);”,
  - (e) in the definition of “period of account” for “section 832(1) of the Taxes Act” substitute “ section 989 of ITA 2007 ”,
  - (f) in the definition of “property investment LLP” for “section 842B of the Taxes Act” substitute “ section 1004 of ITA 2007 ”,
  - (g) in the definition of “recognised stock exchange” for “section 841 of the Taxes Act” substitute “ section 1005 of ITA 2007 ”,
  - (h) in the definition of “venture capital trust” for “the meaning given by section 842AA of the Taxes Act” substitute “ the same meaning as in Part 6 of ITA 2007 ”, and
  - (i) in the definition of “year of assessment” for the words from “ “1992-93”” to the end substitute “year of assessment 1992-93” means the year of assessment beginning on 6th April 1992 (and any corresponding expression in which two years are similarly mentioned is to be read in the same way) ”.
- (3) In subsection (2) for “section 833(2) of the Taxes Act” substitute “ section 989 of ITA 2007 ”.
- (4) In subsection (3) for “section 282 of the Taxes Act” substitute “ section 1011 of ITA 2007 ”.
- 343 In paragraph 22(1) of Schedule A1 (application of taper relief) in the definition of “ordinary share capital” for “section 832(1) of the Taxes Act” substitute “ section 989 of ITA 2007 ”.
- 344 In paragraph 14 of Schedule 4A (deemed disposal of underlying assets where disposal of interest in settled property: exception) for “691(2) of the Taxes Act (certain income of maintenance funds for historic buildings not to be income of settlor etc)” substitute “ 508 of ITA 2007 (trustees' election in respect of income arising from heritage maintenance property) ”.
- 345 (1) Amend Schedule 5B (enterprise investment scheme: re-investment) as follows.
- (2) In paragraph 1(2) (application of Schedule)—
    - (a) in paragraph (e) after “that Act)” insert “ , or the requirements of section 183 of ITA 2007, ”, and
    - (b) in paragraph (g) after “Taxes Act” insert “ or section 175(3) of ITA 2007 ”.
  - (3) In paragraph 1A (failure of conditions of application)—
    - (a) in sub-paragraph (4A) after “Taxes Act” insert “ or section 175(3) of ITA 2007 ”,
    - (b) in sub-paragraph (5) for “or section 310(2) of the Taxes Act” substitute “ , section 310(2) of the Taxes Act or section 241(3) of ITA 2007 ”, and
    - (c) in sub-paragraph (7) after “Taxes Act” insert “ or section 236(1) of ITA 2007 ”.
  - (4) In paragraph 4 (gains accruing on chargeable event)—
    - (a) in sub-paragraph (4) after “Taxes Act” insert “ or Part 5 of ITA 2007 ” and after “that Chapter”, in each place where it occurs, insert “ or that Part ”,

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- (b) in sub-paragraph (4A) after “Taxes Act” insert “ or Part 5 of ITA 2007 ”, after “that Chapter” insert “ or that Part ” and for “that Act” substitute “ the Taxes Act or section 245 of ITA 2007 ”, and
  - (c) in sub-paragraph (4C) after “Taxes Act” insert “ or Part 5 of ITA 2007 ”.
- (5) In paragraph 6 (claims)—
  - (a) in sub-paragraph (1) after “Taxes Act” insert “ or sections 202(1), 203(1) and 204 to 207 of ITA 2007 ” and for “that Act in respect of eligible shares” substitute “ the Taxes Act or Part 5 of ITA 2007 in respect of eligible or relevant shares ”,
  - (b) in sub-paragraph (2) for “That section” substitute “ Section 306 ”, and
  - (c) after that sub-paragraph insert—
    - “(3) Sections 202(1), 203(1) and 204 to 207 of ITA 2007, as they so apply, shall have effect as if any reference to the requirements for the relief were a reference to the conditions for the application of this Schedule.”
- (6) In paragraph 7(1) (reorganisations)—
  - (a) after “the Taxes Act” insert “ or Part 5 of ITA 2007 ”, and
  - (b) after “that Chapter” insert “ or that Part ”.
- (7) In paragraph 8 (acquisition of share capital by new company)—
  - (a) in sub-paragraph (1)(e)(ii) for “subsection (2) of section 306 of the Taxes Act” substitute “ section 306(2) of the Taxes Act or section 203(1) of ITA 2007 ” and for “that section” substitute “ section 306 of the Taxes Act or sections 204 and 205 of ITA 2007 ”,
  - (b) in sub-paragraph (5)(a) after “Taxes Act” insert “ or section 203(1) of ITA 2007 ”, and
  - (c) in sub-paragraph (7) after “Taxes Act” insert “ or section 185 of ITA 2007 ”.
- (8) In paragraph 9 (other reconstructions and amalgamations)—
  - (a) in sub-paragraph (1) after “Taxes Act” insert “ or Part 5 of ITA 2007 ”,
  - (b) in sub-paragraph (3) after “Taxes Act” insert “ or Part 5 of ITA 2007 ”, and
  - (c) in sub-paragraph (4)(b) for “subsection (2) of section 306 of the Taxes Act” substitute “ section 306(2) of the Taxes Act or section 203(1) of ITA 2007 ” and for “that section” substitute “ section 306 of the Taxes Act or sections 204 and 205 of ITA 2007 ”.
- (9) In paragraph 11(5) (pre-arranged exits)—
  - (a) after “trading group” insert “ (a) ”, and
  - (b) at the end insert “, or
    - (b) is a reference to a company that meets the trading requirement in section 181(2)(b) of ITA 2007.”
- (10) In paragraph 13(5) (value received by investor) after “Taxes Act” insert “ or Chapter 2 of Part 5 of ITA 2007 ”.
- (11) In paragraph 13C (provision supplemental to paragraph 13B)—
  - (a) in sub-paragraph (3) for “Sub-paragraph (4) below” substitute “ This sub-paragraph ”, and
  - (b) for sub-paragraph (4) substitute—

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“(4) Where either of the following applies—

- (a) sub-paragraph (3) above, and
  - (b) section 223(3) of ITA 2007 (which makes corresponding provision in relation to EIS relief under Part 5 of that Act),
- the person who subscribes for the shares shall not by virtue of his subscription for those shares or any other shares in the same issue be treated as making a qualifying investment for the purposes of this Schedule.”

(12) In paragraph 14(3) (value received by other persons)—

- (a) after “Taxes Act”, in the first place where it occurs, insert “ or Part 5 of ITA 2007 ”,
- (b) for “that Act” substitute “ the Taxes Act or section 209 or 216(2)(a) of ITA 2007 ”, and
- (c) after “section 300 of the Taxes Act” insert “ or 214 of ITA 2007 ”.

(13) In paragraph 16 (information)—

- (a) in sub-paragraph (4)—
  - (i) after “Taxes Act”, in the first place where it occurs, insert “ or section 203(1) of ITA 2007 ”, and
  - (ii) after “Taxes Act”, in the second place where it occurs, insert “ or section 175(3) of ITA 2007 ”,
- (b) in sub-paragraph (4A) after “Taxes Act” insert “ or section 175(3) of ITA 2007 ”,
- (c) in sub-paragraph (6) after “Taxes Act” insert “ or section 176(4)(b) or (5) (b), 182(2) or (4), 183(6), 185(1), 190(1)(e) or 191(2)(c), (3), (4) or (5) of ITA 2007 ”,
- (d) in sub-paragraph (7)—
  - (i) in paragraph (a) after “Taxes Act” insert “ or section 182(2) or (4) of ITA 2007 ”,
  - (ii) in paragraph (aa) after “Taxes Act” insert “ or section 176(4)(b) or (5)(b), 183(6) or 191(3), (4) or (5) of ITA 2007 ”, and
  - (iii) in paragraph (c) after “Taxes Act” insert “ or section 185(1), 190(1) (e) or 191(2)(c) of ITA 2007 ”, and
- (e) in sub-paragraph (7A)—
  - (i) after “Taxes Act” insert “ and subsections (3), (4) and (5) of section 191 of ITA 2007 ”, and
  - (ii) for “that Act” substitute “ the Taxes Act or section 190(2) of ITA 2007 ”.

(14) In paragraph 19(1) (interpretation)—

- (a) in the definition of “eligible shares” for “that Act” substitute “ the Taxes Act or means shares that meet the requirement in section 173 (2) of ITA 2007 ”,
- (b) in the definition of “ordinary share capital” for “the same meaning as in the Taxes Act” substitute “ the meaning given by section 989 of ITA 2007 ”,
- (c) in the definition of “qualifying business activity” after “Taxes Act” insert “ or section 179 of ITA 2007 ”,
- (d) for the definition of “qualifying company” substitute—

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““qualifying company”, in relation to any eligible shares, means a company which, in relation to those shares, is—

- (a) a qualifying company for the purposes of Chapter 3 of Part 7 of the Taxes Act (except that for the purposes of this Schedule the reference in section 293(1B)(b)(i) of that Act to section 304A of that Act shall be read as a reference to paragraph 8 above), or
  - (b) a qualifying company for the purposes of Part 5 of ITA 2007 (except that for the purposes of this Schedule the reference in section 184(1)(c)(i) of that Act to section 247 of that Act shall be read as a reference to paragraph 8 above).”
- (e) in the definition of “the relevant period” for “that Act” insert “ the Taxes Act or section 159(2) of ITA 2007 ”, and
- (f) in the definition of “termination date” after “Taxes Act” insert “ or section 256 of ITA 2007 ”.
- (15) In paragraph 19(3) omit the “and” immediately before paragraph (c) and after that paragraph insert “; and
- (d) references to Part 5 of ITA 2007 or any provision of that Part are to a Part or provision that applies only in relation to shares issued on or after 6th April 2007”.

346 In paragraph 1(1)(a) of Schedule 5BA (enterprise investment scheme: application of taper relief) after “Taxes Act” insert “ or Part 5 of ITA 2007 ”.

347 In paragraph 3(1)(f) of Schedule 5C (VCTs: deferred charge on re-investment) for “section 842AA(8) of the Taxes Act” substitute “ section 281(3) of ITA 2007 ”.

348 (1) Amend Schedule 7C (reliefs for transfers to approved share plans) as follows.

(2) In paragraph 2(6) (conditions relating to the disposal), in the definition of “ordinary share capital” for “section 832(1) of the Taxes Act” substitute “ section 989 of ITA 2007 ”.

(3) In paragraph 7(1) and (3) (shares: special provision) after “Taxes Act” insert “ or Part 5 of ITA 2007 ”.

349 In Schedule 8 (leases), in paragraph 5(6) for “any amount chargeable to tax under section 348 or 349 of the Taxes Act” substitute “ any amount from which a sum representing income tax is required to be deducted under Part 15 of ITA 2007 ”.

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

350 In section 28(1)(a) of the Finance (No. 2) Act 1992 (powers of inspection) after “1988” insert “ or under Part 10 of the Income Tax Act 2007 ”.

*Tribunals and Inquiries Act 1992 (c. 53)*

351 In paragraph 39(c) of Part 1 of Schedule 1 to the Tribunals and Inquiries Act 1992 (tribunals under direct supervision of Council) at the end insert “or Chapter 1 of Part 13 of the Income Tax Act 2007”.

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*Judicial Pensions and Retirement Act 1993 (c. 8)*

- 352 In section 3(6) of the Judicial Pensions and Retirement Act 1993 (the appropriate annual rate) for “section 279(1) of the Finance Act 2004” substitute “ section 4 of the Income Tax Act 2007 ”.

*Charities Act 1993 (c. 10)*

- 353 In section 25A(1) and (2) of the Charities Act 1993 (meaning of terms relating to Scotland and Northern Ireland) after “1988” insert “ or Part 10 of the Income Tax Act 2007 ”.

*Finance Act 1993 (c. 34)*

- 354 The Finance Act 1993 is amended as follows.
- 355 Omit section 80 (transitional relief for charities etc).
- 356 Omit section 118 (Scottish trusts).
- 357 (1) Amend section 176 (ancillary trust funds) as follows.
- (2) In subsection (3) for paragraph (a) substitute—
- “(a) section 636 of ITA 2007 (exception where there is a transfer to a legatee);”.
- (3) In subsection (4) for “sections 710 to” substitute “ Part 12 of ITA 2007 and section ”.
- 358 (1) Amend section 180 (underwriting profits to be earned income) as follows.
- (2) In subsection (1) for paragraph (b) substitute—
- “(b) accordingly, shall constitute—
- (i) for the purposes of Part 4 of the Finance Act 2004, relevant UK earnings within section 189(2)(b) of that Act, and
- (ii) income in relation to which the treatment in section 836(2) of ITA 2007 does not apply.”
- (3) In the sidenote for “earned income” substitute “ relevant UK earnings etc ”.
- 359 In section 182(1)(ca)(ii) (Lloyd's underwriters: regulations) for the words from “section 737E(2) and (8)” to the end substitute “ section 569 (repos) or 613 (redemption arrangements) of ITA 2007; ”.
- 360 In section 212 (interpretation) at the end insert “ , and “ITA 2007” means the Income Tax Act 2007 ”.
- 361 (1) Amend Schedule 20A (Lloyd's underwriters: conversion to limited liability underwriting) as follows.
- (2) In paragraph 2—
- (a) in sub-paragraph (2) for “The carry-forward provision” substitute “ Section 83 of ITA 2007 ”, and
- (b) omit sub-paragraphs (3) and (4).
- (3) In paragraph 5(1), in the definition of “ordinary share capital”, for “section 832(1) of the Taxes Act 1988” substitute “ section 989 of ITA 2007 ”.

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- (4) In paragraph 7(2) for “Section 385 of the Taxes Act 1988” substitute “ Section 83 of ITA 2007 ”.

*Agriculture Act 1993 (c. 37)*

- 362 In paragraph 22(2) of Schedule 2 to the Agriculture Act 1993 (tax provisions relating to the carrying out of approved scheme of reorganisation) for “section 469 of the Income and Corporation Taxes Act 1988” substitute “ the Tax Acts ”.

*Finance Act 1994 (c. 9)*

- 363 (1) Amend paragraph 11 of Schedule 20 to the Finance Act 1994 (changes for facilitating self-assessment etc) as follows.
- (2) In sub-paragraph (3) for the words from “be treated” to “excess” substitute “ be chargeable for that year to an amount of income tax equal to the excess ”.
- (3) Omit sub-paragraph (7).

*Finance Act 1995 (c. 4)*

- 364 The Finance Act 1995 is amended as follows.
- 365 Omit section 73 (venture capital trusts: regulations).
- 366 Omit section 90 (relief for post-cessation expenditure).
- 367 (1) Amend section 127 (persons not treated as UK representatives) as follows.
- (2) In subsection (5)(b) for the words from “section 128” to “excluded income” substitute “ Chapter 1 of Part 14 of the Income Tax Act 2007 (limits on liability to income tax of non-UK residents) would fall (apart from the requirements of section 819 of that Act) to be treated as disregarded income (see section 813 of that Act) ”.
- (3) In subsection (17) for “section 839 of the Taxes Act 1988” substitute “ section 993 of the Income Tax Act 2007 ”.
- 368 Omit section 128 (limit on income chargeable on non-residents: income tax).
- 369 (1) Amend section 154 (short rotation coppice) as follows.
- (2) In subsection (1)—
- (a) omit “Subject to subsection (1A),” and
- (b) for “Tax Acts” substitute “ Corporation Tax Acts ”.
- (3) Omit subsection (1A).
- 370 (1) Amend Schedule 22 (prevention of exploitation of Schedule 2 to ITTOIA 2005 (so far as relating to overlap profit)) as follows.
- (2) In paragraph 5(1)(b) for the words from “section 353” to “provision)” substitute “ section 383 of the Income Tax Act 2007 (relief for interest payments) ”.
- (3) In paragraph 17—

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- (a) in sub-paragraph (2) for “section 839” to the end substitute “ section 993 of the Income Tax Act 2007 (but as if, in subsection (4) of that section, the words from “But this subsection” to the end were omitted). ”, and
- (b) in sub-paragraph (6)(a), in paragraph (ii) of the definition of “control”, for “section 840 of that Act” substitute “ section 995 of the Income Tax Act 2007 ”.

*Finance Act 1996 (c. 8)*

- 371 The Finance Act 1996 is amended as follows.
- 372 In section 88A(1) (loan relationships: accounting method where rate of interest is reset) for “of Chapter 1 of Part 17” substitute “ given by section 840ZA ”.
- 373 In section 91D(11) (loan relationships: condition 2 for section 91B(6)(b)) for “section 709(1)” substitute “ section 840ZA ”.
- 374 (1) Amend section 97 (manufactured interest) as follows.
- (2) For subsection (4) substitute—
- “(4) See sections 736B(2) and 737A(5) of the Taxes Act 1988 for cases in which there is deemed to be a payment of an amount representative of interest for the purposes of this section.”
- (3) In subsection (4A) for “subsection (4) above” substitute “ subsection (2) of that section ”.
- 375 (1) Amend section 103 (interpretation of Chapter 2 of Part 4: loan relationships) as follows.
- (2) In subsection (1), in the definition of “retail prices index”, for “section 833(2) of the Taxes Act 1988” substitute “ section 989 of the Income Tax Act 2007 ”.
- (3) In subsection (3B) for “section 709(1)” substitute “ section 840ZA ”.
- 376 In paragraph 13 of Schedule 9 (loan relationships for unallowable purposes) for sub-paragraph (6) substitute—
- “(6) In this paragraph “tax advantage” has the meaning given by section 840ZA of the Taxes Act 1988.”

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

- 377 The Finance (No.2) Act 1997 is amended as follows.
- 378 Omit section 29 (unauthorised unit trusts).
- 379 In section 35(3)(a) (transitional relief for charities etc) for “charity” substitute “ charitable company ”.

*Finance Act 1998 (c. 36)*

- 380 The Finance Act 1998 is amended as follows.
- 381 In section 56(4) (transitional provision in connection with section 55 (construction workers supplied by agencies)) for “section 385 of the Taxes Act 1988” substitute “ section 83 of the Income Tax Act 2007 ”.



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- 382 In section 134(5) (transfer of company's assets to VCT) for “section 842AA of the Taxes Act 1988” substitute “ Part 6 of the Income Tax Act 2007 ”.
- 383 In section 135(5) (transfer within group to VCT) for “section 842AA of the Taxes Act 1988” substitute “ Part 6 of the Income Tax Act 2007 ”.
- 384 In section 161(2)(a) (non-FOTRA securities) for the words from “sections 711” to “receiving” substitute “ Chapter 2 of Part 12 of the Income Tax Act 2007 (accrued income profits) in relation only to accrued income profits which a person is treated as making under section 628(5) or 630(2) of that Act ”.
- 385 (1) Amend Schedule 18 (company tax returns, assessments and related matters) as follows.
- (2) In paragraph 3 after sub-paragraph (4) insert—
- “(5) Sub-paragraph (1)(b) has effect as if the reference to the Corporation Tax Acts included a reference to sections 911, 912, 914 and 915 of the Income Tax Act 2007.”
- (3) In paragraph 20 after sub-paragraph (3) insert—
- “(4) In the application of this paragraph to an error relating to information required in a return by virtue of paragraph 3(5), this paragraph has effect as if—
- (a) the reference in sub-paragraph (1) to a tax-related penalty were a reference to an amount not exceeding £3,000, and
- (b) sub-paragraphs (2) and (3) were omitted.”
- (4) In paragraphs 22(3)(a) and 23(3)(a) for sub-paragraph (ii) substitute—
- “(ii) section 495(1) or 975(2) or (4) of the Income Tax Act 2007 (statements about deduction of income tax),”.

*Greater London Authority Act 1999 (c. 29)*

- 386 The Greater London Authority Act 1999 is amended as follows.
- 387 In section 157(4) (restriction on exercise of certain powers except through a company)—
- (a) in paragraph (a) omit “income tax and” and “and” at the end, and
- (b) after that paragraph insert—
- “(aa) section 838 of the Income Tax Act 2007 (exemption of local authorities from income tax); and”.
- 388 In section 419(2) (taxation: certain bodies treated as a local authority)—
- (a) in paragraph (a) for “income and corporation taxes” substitute “corporation tax”, and omit “and” at the end, and
- (b) after that paragraph insert—
- “(aa) section 838 of the Income Tax Act 2007 (exemption of local authorities from income tax); and”.

*Finance Act 2000 (c. 17)*

- 389 The Finance Act 2000 is amended as follows.

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- 390 In section 38(4) (payroll deduction scheme) in the definition of “charity” for “that Act” in the first place where it occurs substitute “ the Taxes Act 1988 ”.
- 391 In section 44 (which makes provision about expenses of trustees) for subsections (4) and (5) substitute—
- “(5A) This section applies if—
- (a) in a year of assessment qualifying income arises under a UK settlement,
  - (b) the qualifying income consists of charitable income and non-charitable income, and
  - (c) expenses of the trustees are to be used to reduce the charitable income for the purpose of calculating a beneficiary's liability to corporation tax.
- (5B) The amount of those expenses which can used for that purpose is limited to the amount allocated to the charitable income.
- (5C) The amount of the expenses allocated to the charitable income is determined by apportioning them rateably between the charitable income and the non-charitable income.
- (5D) In this section—
- “charitable income” means income within section 628(1) or 630(1) of ITTOIA 2005,
- “non-charitable income” means income which is not charitable income, and
- “qualifying income” and “UK settlement” have the same meaning as in section 628 of ITTOIA 2005.”
- 392 (1) Amend section 46 (exemption for small trades etc) as follows.
- (2) In subsection (1)—
- (a) omit paragraph (a) and the “or” at the end of that paragraph, and
  - (b) for “charity” substitute “ charitable company ”.
- (3) In subsection (2) omit paragraph (a) and the “or” at the end of that paragraph.
- (4) In subsection (2A)—
- (a) in paragraph (a) for “, 790 or 804” substitute “ or 790 ”,
  - (b) at the end of paragraph (b) insert “ and ”, and
  - (c) omit paragraph (c) and the “and” at the end of that paragraph.
- (5) In subsection (3)—
- (a) for “a chargeable” substitute “ an accounting ”,
  - (b) for “charity”, in both places where it occurs, substitute “ charitable company ”,
  - (c) in paragraph (a) for “charity's” substitute “ charitable company's ”, and
  - (d) in that paragraph for “chargeable” substitute “ accounting ”.
- (6) In subsection (4)(b)—
- (a) for “charity's” substitute “ charitable company's ”, and
  - (b) for “chargeable” substitute “ accounting ”.

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- (7) In subsection (5) for “a chargeable” substitute “an accounting”.
- (8) In subsection (6)—
- (a) in the appropriate place insert—
    - ““charitable company” means any body of persons established for charitable purposes only;”,
  - (b) omit the definition of “charity”,
  - (c) in the definition of “gross income”, for “charity” substitute “charitable company”, and
  - (d) in the definition of “income”—
    - (i) for “charity” substitute “charitable company”, and
    - (ii) omit paragraph (a) and the “or” at the end of that paragraph.
- (9) In subsection (7) omit the words from “for the year” to “companies,”.
- 393 In section 155 (interpretation) at the end insert “and “ITA 2007” means the Income Tax Act 2007”.
- 394 (1) Amend Schedule 15 (the corporate venturing scheme) as follows.
- (2) In paragraph 16(4) (the unquoted status requirement) after “Taxes Act 1988” insert “or section 184(3) of ITA 2007”.
  - (3) In paragraph 55(4) (provision supplementary to paragraph 54) after “Taxes Act 1988” insert “or Part 5 of ITA 2007”.
  - (4) In paragraph 56(3) (value received by other persons)—
    - (a) after “Taxes Act 1988”, in the first place where it occurs, insert “or Part 5 of ITA 2007”,
    - (b) for “section 299 of that Act” substitute “section 299 of the Taxes Act 1988 or section 209 of ITA 2007”,
    - (c) for “section 300(2)(a) of that Act” substitute “section 300(2)(a) of the Taxes Act 1988 or section 216(2)(a) of ITA 2007”, and
    - (d) after “section 300 of the Taxes Act 1988” insert “, section 214 of ITA 2007”.
  - (5) In paragraph 102 (minor definitions etc) after sub-paragraph (8) insert—
    - “(9) References in this Schedule to Part 5 of ITA 2007 or any provision of that Part are to a Part or provision that applies only in relation to shares issued after 5 April 2007.”
- 395 In paragraph 41 of Schedule 22 (tonnage tax: the requirement not to enter into tax avoidance arrangements) for sub-paragraph (3) substitute—
  - “(3) In this paragraph “tax advantage” has the meaning given by section 840ZA of the Taxes Act 1988.”

*Capital Allowances Act 2001 (c. 2)*

- 396 The Capital Allowances Act 2001 is amended as follows.
- 397 (1) Amend section 4 (capital expenditure) as follows.
- (2) In subsection (4) for “section 348 or 349(1) of ICTA (annual payments)” substitute “Chapter 6 of Part 15 of ITA 2007 (deduction from annual payments or patent

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royalties) or under section 906 of that Act (certain royalties etc where usual place of abode of owner is abroad) ”.

(3) Omit subsection (5).

- 398 In section 70V(4) (tax avoidance involving international leasing) for “Chapter 1” to the end substitute “ section 840ZA of ICTA ”.
- 399 Omit section 70YI(4) (application of section 839 of ICTA).
- 400 In section 138(2)(b) (limit on amount deferred) for “section 385 or” substitute “ section 83 of ITA 2007 or section ”.
- 401 In section 156(1)(a) and (c) (connected persons) for “section 839 of ICTA” substitute “ section 575 ”.
- 402 In section 220(8)(a) (allocation of expenditure to a chargeable period) omit “, within the meaning of section 840 of ICTA”.
- 403 In section 232(1)(a) (meaning of connected person) for “section 839 of ICTA” substitute “ section 575 ”.
- 404 In section 258 (special leasing: income tax) after subsection (3) insert—
- “(3A) The allowance or (as the case may be) the proportionate part of the allowance is given effect at Step 2 of the calculation in section 23 of ITA 2007.”
- 405 In section 266(5)(a) (election where predecessor and successor are connected persons) for “section 839 of ICTA” substitute “ section 575 ”.
- 406 In section 355 (buildings for miners etc: carry-back of allowances) after subsection (2) insert—
- “(2A) For income tax purposes the allowance is given effect at Step 2 of the calculation in section 23 of ITA 2007.”
- 407 In section 437 (research and development allowances) for subsection (2) substitute—
- “(2) In this Part “research and development”—
- (a) means activities that fall to be treated as research and development in accordance with generally accepted accounting practice, and
- (b) includes oil and gas exploration and appraisal.
- (3) But—
- (a) activities that, as a result of regulations made under section 1006 of ITA 2007, are “research and development” for the purposes of that section are also “research and development” for the purposes of this Part, and
- (b) activities that, as a result of any such regulations, are not “research and development” for the purposes of that section are also not “research and development” for the purposes of this Part.”
- 408 In section 479 (persons having qualifying non-trade expenditure: income tax) after subsection (2) insert—
- “(2A) The allowance is given effect at Step 2 of the calculation in section 23 of ITA 2007.”
- 409 At the beginning of Chapter 6 of Part 12 insert—

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### *“Orders and regulations*

#### **Orders and regulations made by Treasury or Commissioners**

- 570B) Any orders or regulations made by the Treasury or the Commissioners for Her Majesty's Revenue and Customs under this Act must be made by statutory instrument.
- (2) Any orders or regulations made by the Treasury or the Commissioners under this Act are subject to annulment in pursuance of a resolution of the House of Commons.
- (3) Subsection (2) does not apply to any regulations made under section 70YJ or any order made under section 82(4)(d).”
- 410 In section 574(1) at the end insert “(but, for the purposes of section 575, this definition applies only where expressly indicated)”.
- 411 For section 575 (connected persons) substitute—

#### **“575 Meaning of “connected” persons**

- (1) For the purposes of this Act whether a person is connected with another is determined in accordance with this section unless otherwise indicated.
- (2) An individual (“A”) is connected with another individual (“B”) if—
- A is B's spouse or civil partner,
  - A is a relative of B,
  - A is the spouse or civil partner of a relative of B,
  - A is a relative of B's spouse or civil partner, or
  - A is the spouse or civil partner of a relative of B's spouse or civil partner.
- (3) A person, in the capacity as trustee of a settlement, is connected with—
- any individual who is a settlor in relation to the settlement,
  - any person connected with such an individual,
  - any close company whose participators include the trustees of the settlement,
  - any non-UK resident company which, if it were UK resident, would be a close company whose participators include the trustees of the settlement,
  - any body corporate controlled (within the meaning of section 574) by a company within paragraph or ,
  - if the settlement is the principal settlement in relation to one or more sub-fund settlements, a person in the capacity as trustee of such a sub-fund settlement, and
  - if the settlement is a sub-fund settlement in relation to a principal settlement, a person in the capacity as trustee of any other sub-fund settlements in relation to the principal settlement.
- (4) A person who is a partner in a partnership is connected with—
- any partner in the partnership,

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- (b) the spouse or civil partner of any individual who is a partner in the partnership, and
- (c) a relative of any individual who is a partner in the partnership.

But this subsection does not apply in relation to acquisitions or disposals of assets of the partnership pursuant to genuine commercial arrangements.

- (5) A company is connected with another company if—
  - (a) the same person has control of both companies,
  - (b) a person (“A”) has control of one company and persons connected with A have control of the other company,
  - (c) A has control of one company and A together with persons connected with A have control of the other company, or
  - (d) a group of two or more persons has control of both companies and the groups either consist of the same persons or could be so regarded if (in one or more cases) a member of either group were replaced by a person with whom the member is connected.
- (6) A company is connected with another person (“A”) if—
  - (a) A has control of the company, or
  - (b) A together with persons connected with A have control of the company.
- (7) In relation to a company, any two or more persons acting together to secure or exercise control of the company are connected with—
  - (a) one another, and
  - (b) any person acting on the directions of any of them to secure or exercise control of the company.

#### **575A Section 575: supplementary**

- (1) In section 575 and this section—
  - “company” includes any body corporate or unincorporated association, but does not include a partnership (and see also subsection (2)),
  - “control” is to be read in accordance with section 416 of ICTA (except where otherwise indicated),
  - “principal settlement” has the meaning given by paragraph 1 of Schedule 4ZA to TCGA 1992,
  - “relative” means brother, sister, ancestor or lineal descendant,
  - “settlement” has the same meaning as in Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act), and
  - “sub-fund settlement” has the meaning given by paragraph 1 of Schedule 4ZA to TCGA 1992.
- (2) For the purposes of section 575—
  - (a) a unit trust scheme is treated as if it were a company, and
  - (b) the rights of the unit holders are treated as if they were shares in the company.

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- (3) For the purposes of section 575 “trustee”, in the case of a settlement in relation to which there would be no trustees apart from this subsection, means any person—
- (a) in whom the property comprised in the settlement is for the time being vested, or
  - (b) in whom the management of that property is for the time being vested.

Section 466(4) of ITA 2007 does not apply for the purposes of this subsection.

- (4) If any provision of section 575 provides that a person (“A”) is connected with another person (“B”), it also follows that B is connected with A.”

412 In section 577(1) (other definitions)—

- (a) omit the definition of “tax year”, and
- (b) omit the definition of “the tax year 2001-02”.

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

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

“ITA 2007

The Income Tax Act 2007.”

(3) In Part 2—

- (a) in the entry for “body of persons”, in the second column, before “section 832(1) of ICTA” insert “ section 989 of ITA 2007 and ”,
- (b) in the entry for “connected persons (general meaning)”, in the second column, for “section 575(1)” substitute “ section 575 ”,
- (c) in the entry for “offshore installation”, in the second column, before “section 837C of ICTA” insert “ sections 1001 and 1002 of ITA 2007 and ”,
- (d) in the entry for “overseas property business”, in the second column, at the end insert “ (as applied by section 989 of ITA 2007) ”,
- (e) in the entry for “research and development”, in the second column, for “437(2) and section 837A of ICTA” substitute “ 437(2) and (3) ”,
- (f) in the entry for “Schedule A business”, in the second column, before “section 832(1) of ICTA” insert “ section 989 of ITA 2007 and ”,
- (g) in the entry for “tax year”, in the second column, for “section 577(1)” substitute “ section 4(2) of ITA 2007 (as applied by section 989 of that Act) ”,
- (h) in the entry for “UK property business”, in the second column, omit “section 832(1) of ICTA and” and at the end insert “ (as applied by section 989 of ITA 2007) ”,
- (i) in the entry for “United Kingdom”, in the second column, for “section 830 of ICTA and section 41 of ITEPA 2003” substitute “ section 1013 of ITA 2007 and section 830(1) of ICTA ”, and
- (j) in the entry for “within the charge to tax”, in the second column, before “section 832(1) of ICTA” insert “ section 1009 of ITA 2007 and ”.

*Finance Act 2002 (c. 23)*

414 The Finance Act 2002 is amended as follows.

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- 415 Omit section 98.
- 416 In section 142 (interpretation) at the end insert “, and “ITA 2007” means the Income Tax Act 2007”.
- 417 In paragraph 19 of Schedule 12 (tax relief for expenditure on research and development) for sub-paragraph (2) substitute—
- “(2) For the purposes of this Schedule whether a person is connected with another is determined in accordance with section 839 of the Taxes Act 1988.”
- 418 In paragraph 27 of Schedule 13 (tax relief for expenditure on vaccine research etc) for sub-paragraph (2) substitute—
- “(2) For the purposes of this Schedule whether a person is connected with another is determined in accordance with section 839 of the Taxes Act 1988.”
- 419 (1) Amend Schedule 16 (community investment tax relief) as follows.
- (2) In paragraph 1(1), for “An individual or company” substitute “ A company ”.
- (3) In paragraph 2—
- (a) in sub-paragraph (1), for “person” substitute “ company ” and for “he”, in both places where it occurs, and “him” substitute “ it ”, and
- (b) in sub-paragraph (2), for “person”, in each place where it occurs, substitute “ company ”.
- (4) For paragraphs 4 to 7 substitute—

*“Application of Chapter 2 of Part 7 of ITA 2007*

- 4 (1) Chapter 2 of Part 7 of ITA 2007 applies for the purposes of this Schedule as it applies for the purposes of that Part.
- (2) Chapter 2 of Part 7 of that Act makes provision with respect to—
- (a) applications and criteria for accreditation as community development finance institutions (see section 340),
- (b) the terms and conditions of accreditation (see section 341),
- (c) the period of accreditation (see section 342), and
- (d) the delegation of the Secretary of State's functions under that Chapter (see section 343).
- (3) In this Schedule “accreditation period” has the meaning given by section 342(1) of ITA 2007.”
- (5) In paragraph 9(5), for “person” substitute “ company ”.
- (6) For paragraph 12(2) substitute—
- “(2) The CDFI must not issue tax relief certificates in respect of investments made in the CDFI in an accreditation period if the aggregate value of—
- (a) those investments, and
- (b) any investments to which sub-paragraph (2A) applies,
- will exceed the limit for that period.



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- (2A) This sub-paragraph applies to investments which—
- (a) have been made in the CDFI in the accreditation period, and
  - (b) in respect of which the CDFI has issued tax relief certificates under section 348 of ITA 2007 (which makes in relation to income tax provision corresponding to that made by this paragraph).
- (2B) The limit for an accreditation period is—
- (a) £10 million if the CDFI is accredited for the period as a retail community development finance institution (see section 340(8) of ITA 2007 as applied by paragraph 4), and
  - (b) £20 million in any other case.”
- (7) In paragraph 14—
- (a) in sub-paragraph (4), for “he” substitute “ it ” and for “his” substitute “ its ”, and
  - (b) in sub-paragraph (6), for “his” substitute “ its ”.
- (8) Omit paragraph 19.
- (9) In paragraph 20(1), omit paragraph (a).
- (10) In paragraph 21—
- (a) in sub-paragraph (2), omit “tax year or”, in each place where it occurs, and
  - (b) in sub-paragraph (3), for “a tax year or” substitute “ an ”.
- (11) In paragraph 22(1) and (2), for “a tax year or” substitute “ an ” and for “that year or period” substitute “ that period ”.
- (12) In paragraph 23—
- (a) in sub-paragraph (1), for “a tax year or” substitute “ an ” and, in paragraph (b), omit “tax year or”,
  - (b) in sub-paragraph (2), for “a tax year or” substitute “ an ” and for “that year or period” substitute “ that period ”, and
  - (c) in sub-paragraph (3), for “a tax year or” substitute “ an ” and for “that year or period” substitute “ that period ”.
- (13) In paragraph 24—
- (a) in sub-paragraph (1), omit “tax year or” in both places where it occurs, and
  - (b) in sub-paragraph (2)—
    - (i) omit “tax year or” in both places where it occurs, and
    - (ii) in paragraph (b), omit “year or” in both places where it occurs.
- (14) In paragraph 25(1), omit “is a company and”.
- (15) In paragraph 26—
- (a) in sub-paragraph (1), omit paragraph (a),
  - (b) in sub-paragraph (2), omit “income or”, for “a tax year or” substitute “ an ” and, in paragraph (b)(i), omit “year or”,
  - (c) in sub-paragraphs (3) and (4), omit “income tax or”, and
  - (d) in sub-paragraph (5), for “a tax year or” substitute “ an ” and for “that year or period” substitute “ that period ”.
- (16) In paragraph 27—

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- (a) omit sub-paragraphs (2) and (3), and
  - (b) in sub-paragraph (4), omit “Where the investor is a company,”.
- (17) In paragraph 28(1), omit “tax year or”.
- (18) In paragraph 29—
- (a) in sub-paragraph (2), omit “tax year or”,
  - (b) in sub-paragraph (3), for “a tax year or” substitute “ an ”,
  - (c) in sub-paragraph (5), omit “tax year or” and for “that year or period”, in both places where it occurs, substitute “ that period ”, and
  - (d) in sub-paragraph (6), for “a tax year or” substitute “ an ”.
- (19) In paragraph 30(1), omit “tax year or”.
- (20) In paragraphs 31(5), 32(1)(b), 32(3) and 34(5)(b)(ii) for “he” and “him” substitute “ the investor ”.
- (21) In paragraph 31(8), omit “tax years or”.
- (22) In paragraph 32—
- (a) in sub-paragraph (1), omit “tax year or”, and
  - (b) in sub-paragraph (5), omit “tax years or”.
- (23) In paragraph 35(1)(d)(ii), omit “if the investor is a company,”.
- (24) In paragraph 35(5)(a) for “his” substitute “ the investor's ”.
- (25) In paragraph 36(d)(ii), for “his” substitute “ the investor ”.
- (26) In paragraph 37(6), for “him” substitute “ the investor ”.
- (27) In paragraph 38—
- (a) in sub-paragraph (1), for “him” substitute “ the investor ”.
  - (b) in sub-paragraph (2), omit “tax year or”,
  - (c) in sub-paragraph (3), omit “tax years or” and, in both places where it occurs, “tax year or”, and
  - (d) in sub-paragraph (4), for “he” substitute “ the investor ”.
- (28) Omit paragraphs 40 and 41.
- (29) In paragraph 42—
- (a) in sub-paragraph (1), omit “tax year or”, and
  - (b) in sub-paragraph (2), omit paragraph (a) and the “and” immediately after it and, in paragraph (b), “if the investor is a company,”.
- (30) In paragraph 43(1), for “Tax Acts” substitute “ Corporation Tax Acts ”.
- (31) In paragraph 45, for “person”, in both places where it occurs, substitute “ company ”.
- (32) In paragraph 46(2), for “person”, in both places where it occurs, substitute “ company ”.
- (33) In paragraph 47—
- (a) in sub-paragraph (1), omit “tax years or”,
  - (b) in sub-paragraphs (3) and (4), omit “of capital gains tax or corporation tax on chargeable gains and”,



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*Proceeds of Crime Act 2002 (c. 29)*

- 424 In paragraph 4 of Part 2 of Schedule 10 (tax) to the Proceeds of Crime Act 2002 for the words from “sections 711” to the end substitute “ Chapter 2 of Part 12 of the Income Tax Act 2007, that Part does not apply to the transfer ”.

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

- 425 The Income Tax (Earnings and Pensions) Act 2003 is amended as follows.
- 426 In section 1 (overview of contents of Act) omit subsection (2).
- 427 In section 11(3) (calculation of “net taxable earnings”) for “section 380(1) of ICTA” substitute “ section 128 of ITA 2007 ”.
- 428 In section 24(6)(a) (limit on chargeable overseas earnings where duties of associated employment performed in UK) for “section 840 of ICTA” substitute “ section 995 of ITA 2007 ”.
- 429 In section 48(2) (scope of Chapter) for “subject to deduction of tax under section 555 of ICTA (payments to non-resident entertainers and sportsmen)” substitute “ or transfers to which section 966(3) or (4) of ITA 2007 applies (visiting performers: duty to deduct and account for sums representing income tax) ”.
- 430 In section 69(1) (extended meaning of “control”) for “section 840 of ICTA” substitute “ section 995 of ITA 2007 ”.
- 431 In section 178 (exception for loans where interest qualifies for tax relief)—
- (a) in paragraph (a) for the words from “(general” to “MIRAS)” substitute “ or section 383 of ITA 2007 (relief for interest payments) ”, and
  - (b) in paragraph (b) for “that section” substitute “ section 353 of ICTA ”.
- 432 In section 180(5) (threshold for benefit of loan to be treated as earnings)—
- (a) in paragraph (a) for the words from “(general” to “MIRAS)” substitute “ or section 383 of ITA 2007 (relief for interest payments) ”, and
  - (b) in paragraph (b) for “that section” substitute “ section 353 of ICTA ”.
- 433 In section 230(5)(a) (the approved amount for mileage allowance payments) for “section 840 of ICTA” substitute “ section 995 of ITA 2007 ”.
- 434 In section 329(6) (deductions from earnings not to exceed earnings) for “section 380 of ICTA” substitute “ section 128 of ITA 2007 ”.
- 435 In section 347(2) (payments made after leaving an employment) for “from total income” substitute “ in calculating net income ”.
- 436 In section 357(2) after “section 505(1)(e) of ICTA” insert “ or section 524 of ITA 2007 ”.
- 437 After section 404 insert—

**“404A Amounts charged to be treated as highest part of total income**

- (1) A payment or other benefit which counts as a person's employment income as a result of section 403 is treated as the highest part of the person's total income.

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- (2) Subsection (1) has effect for all income tax purposes except the purposes of sections 535 to 537 of ITTOIA 2005 (gains from contracts for life insurance etc: top slicing relief).
- (3) See section 1012 of ITA 2007 (relationship between highest part rules) for the relationship between—
- (a) the rule in subsection (1), and
  - (b) other rules requiring particular income to be treated as the highest part of a person's total income.”
- 438 In section 476 (charge on occurrence of chargeable event) after subsection (5) insert—
- “(5A) An amount charged under subsection (5)(a) is treated for income tax purposes as an amount of income.”
- 439 (1) Amend section 515 (tax advantages and charges relating to SIPs) as follows.
- (2) In subsection (1)—
- (a) for “provisions of ICTA relate” substitute “provision of ICTA relates”, and
  - (b) omit paragraph (b) and the “and” immediately after it.
- (3) In subsection (2)—
- (a) omit the “and” immediately after paragraph (b), and
  - (b) after paragraph (c) insert “, and
  - (d) Chapter 5 of Part 9 of ITA 2007 (which provides for section 479 of that Act not to apply to income of the trustees of an approved SIP in certain circumstances)”.
- (4) Omit subsection (3).
- 440 (1) Amend section 555 (deduction for liabilities related to former employment) as follows.
- (2) In subsection (2)—
- (a) for “when computing the former employee's total income” substitute “in calculating the former employee's net income”, and
  - (b) at the end insert “(see Step 2 of the calculation in section 23 of ITA 2007)”.
- (3) For subsection (6) substitute—
- “(6) See section 263ZA of TCGA 1992 for relief from capital gains tax where the amount of the deduction allowed under this section exceeds the remaining total income (as defined in that section).”
- (4) In the sidenote for “from total income” substitute “in calculating net income”.
- (5) In the italic cross-heading before the section for “from total income” substitute “in calculating net income”.
- 441 In section 609(1) after “section 273 of ICTA” insert “or section 459 of ITA 2007”.
- 442 In section 718 (connected persons) for “Section 839 of ICTA” substitute “Section 993 of ITA 2007”.
- 443 In section 719 (control in relation to a body corporate)—

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- (a) for “Section 840 of ICTA (meaning of control in relation to a body corporate)” substitute “ Section 995 of ITA 2007 (meaning of “control”)”, and
- (b) for the sidenote substitute “ Meaning of “control” .
- 444 (1) Amend section 721 (other definitions) as follows.
- (2) In subsection (1)—
- (a) after the definition of “foreign employer” insert “ and ”, and
- (b) omit the words after the definition of “non-cash voucher”.
- (3) Omit subsection (2).
- 445 In Part 1 of Schedule 1 (abbreviations) in the appropriate place insert—
- |           |                           |
|-----------|---------------------------|
| “ITA 2007 | The Income Tax Act 2007.” |
|-----------|---------------------------|
- 446 (1) Amend Part 2 of Schedule 1 (defined expressions) as follows.
- (2) In the entry for “assignment (in the application of the Act to Scotland)”, in the second column, for “section 721(2)” substitute “ section 1008(1) of ITA 2007 ”.
- (3) In the entry for “basic rate”, in the second column, for “section 832(1) of ICTA” substitute “ section 6(2) of ITA 2007 (as applied by section 989 of that Act) ”.
- (4) In the entry for “body of persons”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (5) In the entry for “capital allowance”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (6) In the entry for “child, children”, in the second column, omit “section 832(5) of ICTA, and see”.
- (7) In the entry for “close company”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (8) In the entry for “company”, in the second column, for “section 832(1) of ICTA” substitute “ section 992 of ITA 2007 ”.
- (9) In the entry for “connected”, in the second column, for “section 839 of ICTA” substitute “ section 993 of ITA 2007 ”.
- (10) In the entry for “control”, in the second column, for “section 840 of ICTA” substitute “ section 995 of ITA 2007 ”.
- (11) In the entry for “distribution”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (12) In the entry for “generally accepted accounting practice”, in the second column, for “section 832(1) of ICTA” substitute “ section 997 of ITA 2007 ”.
- (13) Omit the entry for “interest”.
- (14) In the entry for “local authority”, in the second column, for “section 842A of ICTA” substitute “ section 999 of ITA 2007 ”.
- (15) After the entry for “national insurance contributions” insert—

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“net income	section 23 of ITA 2007 (as applied by section 989 of that Act)”
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(16) In the entry for “the normal self-assessment filing date”, in the second column, for “section 721(1)” substitute “ section 989 of ITA 2007 ”.

(17) In the entry for “notice”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.

(18) In the entry for “offshore installation”, in the second column, for “section 837C of ICTA” substitute “ sections 1001 and 1002 of ITA 2007 ”.

(19) In the entry for “ordinary share capital”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.

(20) In the entry for “personal representatives”, in the second column, for “section 721(1)” substitute “ section 989 of ITA 2007 ”.

(21) In the entry for “recognised stock exchange”, in the second column, for “section 841 of ICTA” substitute “ section 1005 of ITA 2007 ”.

(22) In the entry for “registered pension scheme”, in the second column, for “section 832(1) of ICTA” substitute “ section 150(2) of FA 2004 (as applied by section 989 of ITA 2007) ”.

(23) In the entry for “Schedule A business”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.

(24) In the entry for “stepchild”, in the second column, for “section 832(1) of ICTA” substitute “ section 246 of the Civil Partnership Act 2004 (as applied by section 989 of ITA 2007) ”.

(25) In the entry for “51% subsidiary”, in the second column, for “section 838(1) of ICTA” substitute “ section 989 of ITA 2007 ”.

(26) In the entry for “tax”, in the second column, at the end insert “ (as applied by section 989 of ITA 2007) ”.

(27) In the entry for “tax credit”, in the second column, for “section 832(1) of ICTA” substitute “ section 397(1) of ITTOIA 2005 (as applied by section 989 of ITA 2007) ”.

(28) In the entry for “tax year”, in the second column, for “section 721(1)” substitute “ section 4(2) of ITA 2007 (as applied by section 989 of that Act) ”.

(29) In the entry for “the tax year 2003-04 etc”, in the second column, for “section 721(1)” substitute “ section 4(4) of ITA 2007 (as applied by section 989 of that Act) ”.

(30) In the entry for “total income” for “section 835 of ICTA” substitute “ section 23 of ITA 2007 (as applied by section 989 of that Act) ”.

(31) In the entry for “trade”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.

(32) In the entry for “United Kingdom”, in the second column, for “section 830 of ICTA” substitute “ section 1013 of ITA 2007 ”.

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- (33) In the entry for “UK property business”, in the second column, omit “section 832(1) of ICTA and” and at the end insert “ (as applied by section 989 of ITA 2007) ”.
- 447 (1) Amend Schedule 2 (approved share incentive plans) as follows.
- (2) In paragraph 49(3)—
- (a) in paragraph (a) for “section 840A(1)(b) of ICTA” substitute “ section 991(2) (b) of ITA 2007 ”, and
  - (b) in paragraph (c) for “section 840A(1)(c) of ICTA” substitute “ section 991(2) (c) of ITA 2007 ”.
- (3) In paragraph 100—
- (a) in the entry for “building society”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (b) in the entry for “child”, in the second column, for “section 832(5) of ICTA (and see section 721(6))” substitute “ section 721(6) ”,
  - (c) in the entry for “close company”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (d) in the entry for “distribution”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (e) in the entry for “notice”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (f) in the entry for “ordinary share capital”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (g) in the entry for “personal representatives”, in the second column, for “section 721(1)” substitute “ section 989 of ITA 2007 ”,
  - (h) in the entry for “recognised stock exchange”, in the second column, for “section 841 of ICTA” substitute “ section 1005 of ITA 2007 ”,
  - (i) in the entry for “tax”, in the second column, at the end insert “ (as applied by section 989 of ITA 2007) ”, and
  - (j) in the entry for “tax year”, in the second column, for “section 721(1)” substitute “ section 4(2) of ITA 2007 (as applied by section 989 of that Act) ”.
- 448 In paragraph 49 of Schedule 3 (approved SAYE Option Schemes)—
- (a) in the entry for “child”, in the second column, for “section 832(5) of ICTA (and see section 721(6) of this Act)” substitute “ section 721(6) ”,
  - (b) in the entry for “close company”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (c) in the entry for “distribution”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (d) omit the entry for “interest”,
  - (e) in the entry for “notice”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (f) in the entry for “ordinary share capital”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (g) in the entry for “personal representatives”, in the second column, for “section 721(1)” substitute “ section 989 of ITA 2007 ”,
  - (h) in the entry for “recognised stock exchange”, in the second column, for “section 841 of ICTA” substitute “ section 1005 of ITA 2007 ”,



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- (i) in the entry for “tax”, in the second column, at the end insert “ (as applied by section 989 of ITA 2007) ”, and
  - (j) omit the entry for “United Kingdom”.
- 449 In paragraph 37 of Schedule 4 (approved CSOP Schemes)—
- (a) in the entry for “child”, in the second column, for “section 832(5) of ICTA (and see section 721(6) of this Act)” substitute “ section 721(6) ”,
  - (b) in the entry for “close company”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (c) in the entry for “distribution”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (d) in the entry for “notice”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (e) in the entry for “ordinary share capital”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
  - (f) in the entry for “personal representatives”, in the second column, for “section 721(1)” substitute “ section 989 of ITA 2007 ”,
  - (g) in the entry for “recognised stock exchange”, in the second column, for “section 841 of ICTA” substitute “ section 1005 of ITA 2007 ”, and
  - (h) omit the entry for “United Kingdom”.
- 450 (1) Amend Schedule 5 (enterprise management incentives) as follows.
- (2) In paragraph 11(10) (meaning of “qualifying subsidiary”)—
    - (a) for “section 312(2A) of ICTA” substitute “ section 252 of ITA 2007 ”, and
    - (b) for “Chapter 3 of Part 7 of ICTA” substitute “ Part 5 of ITA 2007 ”.
  - (3) In paragraph 58, in the definition of “research and development”, for “section 837A of ICTA” substitute “ section 1006 of ITA 2007 ”.
  - (4) In paragraph 59—
    - (a) in the entry for “child”, in the second column, for “section 832(5) of ICTA (and see section 721(6) of this Act)” substitute “ section 721(6) ”,
    - (b) in the entry for “close company”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
    - (c) in the entry for “distribution”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
    - (d) in the entry for “farming”, in the second column, for “section 832(1) of ICTA” substitute “ section 996 of ITA 2007 ”,
    - (e) in the entry for “generally accepted accounting practice”, in the second column, for “section 50(1) of the Finance Act 2004” substitute “ section 997 of ITA 2007 ”,
    - (f) in the entry for “notice”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
    - (g) in the entry for “offshore installation”, in the second column, for “section 837C of ICTA” substitute “ sections 1001 and 1002 of ITA 2007 ”,
    - (h) in the entry for “ordinary share capital”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
    - (i) in the entry for “personal representatives”, in the second column, for “section 721(1)” substitute “ section 989 of ITA 2007 ”,

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- (j) in the entry for “51% subsidiary”, in the second column, for “section 838(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
- (k) in the entry for “tax”, in the second column, at the end insert “ (as applied by section 989 of ITA 2007) ”,
- (l) in the entry for “tax year”, in the second column, for “section 721(1)” substitute “section 4(2) of ITA 2007 (as applied by section 989 of that Act) ”,
- (m) in the entry for “trade”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”, and
- (n) in the entry for “United Kingdom”, in the second column, for “section 830 of ICTA” substitute “ section 1013 of ITA 2007 ”.

*Finance Act 2003 (c. 14)*

- 451 The Finance Act 2003 is amended as follows.
- 452 Omit section 151 (non-resident companies: extent of charge to income tax).
- 453 In section 152 (non-resident companies: transactions carried out through broker, investment manager or Lloyd's agent) omit paragraph (b) and the word “and” before it.
- 454 In section 153(2)(a) (general replacement of references to branch or agency of company) for “paragraphs 3 and 4” substitute “ paragraph 4 ”.
- 455 In paragraph 1(2) of Schedule 26 (non-resident companies: transactions through broker, investment manager or Lloyd's agent) omit paragraph (b) and the word “and” before it.

*Finance Act 2004 (c. 12)*

- 456 The Finance Act 2004 is amended as follows.
- 457 In section 50 (generally accepted accounting practice) for “the Tax Acts” wherever occurring substitute “ the Corporation Tax Acts ”.
- 458 In section 51 (use of different accounting practices within a group of companies) for subsection (5) substitute—
  - “(5) In this section “tax advantage” has the meaning given by section 840ZA of the Taxes Act 1988.”
- 459 In section 59 (construction industry scheme: contractors) after subsection (7) insert—
  - “(8) This section is subject to section 73A (designated international organisations: exemption from section 59).”
- 460 In section 65 (change in control of company registered for gross payment) for subsection (3) substitute—
  - “(3) In this section references to a change in the control of a company are references to such a change determined in accordance with section 995 of the Income Tax Act 2007.”
- 461 After section 73 (regulations under this Chapter: supplementary) insert—

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**“73A Designated international organisations: exemption from section 59**

- (1) The Treasury may by order designate for the purposes of this section any international organisation of which the United Kingdom is a member.
- (2) Section 59 does not apply to an organisation which is so designated.”
- 462 (1) Amend section 83 (giving through the self-assessment return) as follows.
- (2) Omit subsections (1) to (3).
- (3) For subsections (4) and (5) substitute—
- “ (4) A charitable company is treated as having made a claim for any exemption to which it may be entitled under section 505(1)(c)(ii) of the Taxes Act 1988 (charities: exemption from tax under Case III of Schedule D) if—
- (a) it receives a gift as a result of a direction under section 429(2) of the Income Tax Act 2007 (giving through self-assessment return), and
- (b) as a result of section 429(4) of that Act, the gift is treated as a qualifying donation for the purposes of Chapter 2 of Part 8 of that Act (gift aid).
- (5) In this section “charitable company” means any body of persons established for charitable purposes only.”
- 463 Omit sections 101 (payment of royalties without deduction at source) and 102 (claim for tax deducted at source from exempt interest or royalty payments).
- 464 Omit sections 119 to 123 (individuals benefited by film relief).
- 465 Omit sections 126 to 130 (individuals in partnership: exit charge).
- 466 In section 155(6)(a) and (b) (persons by whom scheme may be established: supplementary) for “section 840A(1)(b) of ICTA” substitute “section 991(2)(b) of ITA 2007”.
- 467 In section 161 (meaning of “payment” etc) for subsection (8) substitute—
- “ (8) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.”
- 468 (1) Amend section 162 (meaning of “loan”) as follows.
- (2) In subsection (2)(a) for “section 841 of ICTA” substitute “section 1005 of ITA 2007”.
- (3) For subsection (6) substitute—
- “ (6) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.”
- 469 In section 172A (surrender) for subsection (11) substitute—
- “ (11) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.”
- 470 In section 172B (increase in rights of connected person on death) for subsection (9) substitute—

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- “**(9)** For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.”
- 471 In section 172C (allocation of unallocated employer contributions) for subsection (7) substitute—
- “**(7)** For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.”
- 472 In section 172D (limit on increase in benefits) for subsection (6) substitute—
- “**(6)** For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.”
- 473 **(1)** Amend section 189 (relevant UK individual) as follows.
- (2)** In subsection (2)—
- (a) omit the “and” immediately after paragraph (b),
- (b) after paragraph (b) insert—
- “**(ba)** income which is chargeable under Part 3 of ITTOIA 2005 and is immediately derived from the carrying on of a UK furnished holiday lettings business (whether individually or as a partner acting personally in a partnership), and”, and
- (c) for paragraph (c) substitute—
- “**(c)** income to which subsection (2A) applies.”
- (3)** After subsection (2) insert—
- “**(2A)** This subsection applies to income if—
- (a) it is patent income, and
- (b) the individual, alone or jointly, devised the invention for which the patent in question was granted.”
- (4)** After subsection (4) insert—
- “**(5)** “UK furnished holiday lettings business” means a UK property business so far as consisting of the commercial letting of furnished holiday accommodation (within the meaning of Chapter 6 of Part 3 of ITTOIA 2005).
- (6)** If there is a letting of accommodation only part of which is holiday accommodation, just and reasonable apportionments are to be made for the purpose of determining what is comprised in a UK furnished holiday lettings business.
- (7)** “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, or
- (c) amounts on which tax is payable under—
- (i) section 472(5) of the Capital Allowances Act, or
- (ii) paragraph 100 of Schedule 3 to that Act.”
- 474 In section 192 (relief at source) omit subsection (5).
- 475 In section 193(6) (relief under net pay arrangements)—

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- (a) for “from the total income” substitute “ in calculating the net income ”, and  
(b) at the end insert “ (see Step 2 of the calculation in section 23 of ITA 2007) ”.
- 476 In section 194(1) (relief on making of claim)—  
(a) for “from the total income” substitute “ in calculating the net income ”, and  
(b) at the end insert “ (see Step 2 of the calculation in section 23 of ITA 2007) ”.
- 477 In section 266A (member's liability) for subsection (7) substitute—  
“(7) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.”
- 478 In section 273 (members liable as scheme administrator) for subsection (11) substitute—  
“(11) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.”
- 479 In section 278 (market value) for subsection (4) substitute—  
“(4) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.”
- 480 (1) Amend section 279 (other definitions) as follows.  
(2) In subsection (1)—  
(a) omit the definition of “charity”,  
(b) after the definitions of “pension credit” and “pension debit” insert “ and ”, and  
(c) omit the words after the definition of “pension sharing order or provision”.  
(3) After that subsection insert—  
“(1A) In this Part, so far as it forms part of the Corporation Tax Acts, expressions which are defined for the purposes of the Income Tax Acts are to be given the same meaning as they have in the Income Tax Acts.”
- 481 (1) Amend section 280 (abbreviations and general index) as follows.  
(2) In subsection (1) omit the “and” immediately before the definition of “ITTOIA 2005” and after that definition insert “, and  
“ITA 2007” means the Income Tax Act 2007.”  
(3) In subsection (2)—  
(a) in the entry for “basic rate”, in the second column, for “section 832(1) of ICTA” substitute “ section 6(2) of ITA 2007 (as applied by section 989 of that Act) ”,  
(b) in the entry for “basic rate limit”, in the second column, for “section 832(1) of ICTA” substitute “ section 20(2) of ITA 2007 (as applied by section 989 of that Act) ”,  
(c) in the entry for “chargeable gain”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,  
(d) in the entry for “charity”, in the second column, for “section 279(1)” substitute “ section 989 of ITA 2007 ”,  
(e) in the entry for “company”, in the second column, for “section 832(1) of ICTA” substitute “ section 992 of ITA 2007 ”,

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- (f) in the entry for “higher rate”, in the second column, for “section 832(1) of ICTA” substitute “ section 6(2) of ITA 2007 (as applied by section 989 of that Act) ”,
- (g) after the entry for “money purchase benefits” insert—

“net income	section 23 of ITA 2007 (as applied by section 989 of that Act),”
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- (h) in the entry for “period of account”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”,
- (i) in the entry for “personal representatives”, in the second column, for “section 279(1)” substitute “ section 989 of ITA 2007 ”,
- (j) in the entry for “property investment LLP”, in the second column, for “section 842B of ICTA” substitute “ section 1004 of ITA 2007 ”,
- (k) in the entry for “retail prices index”, in the second column, for “section 279(1)” substitute “ section 989 of ITA 2007 ”,
- (l) in the entry for “tax year”, in the second column, for “section 279(1)” substitute “ section 4(2) of ITA 2007 (as applied by section 989 of that Act) ”,
- (m) in the entry for “the tax year 2006-07 etc”, in the second column, for “section 279(1)” substitute “ section 4(4) of ITA 2007 (as applied by section 989 of that Act) ”, and
- (n) in the entry for “total income” for “section 835 of ICTA” substitute “ section 23 of ITA 2007 (as applied by section 989 of that Act) ”.

482 (1) Amend Schedule 15 (charge to income tax on benefits received by former owner of property) as follows.

(2) For paragraph 2 substitute—

“2 (1) For the purposes of this Schedule whether a person is connected with another person is determined in accordance with section 993 of the Income Tax Act 2007.

(2) But for those purposes sections 993 and 994 of that Act are to be read as if in those sections—

- (a) “relative” included uncle, aunt, nephew and niece, and
- (b) “settlement”, “settlor” and “trustee” had the same meanings as in IHTA 1984.”

(3) In paragraph 9(1) for paragraph (c) substitute—

“(c) sections 720 to 730 of the Income Tax Act 2007,”.

483 In paragraph 4 of Schedule 27 (meaning of “offshore installation”) for “sections 573 and 574” substitute “ section 573 ”.

484 In paragraph 4 of Schedule 29A (investment-regulated pension schemes) for sub-paragraph (2) substitute—

“(2) For the purposes of sub-paragraph (1) whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.”

485 In paragraph 11D of Schedule 36 (transitional provisions) for sub-paragraph (5) substitute—

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“(5) For the purposes of this paragraph whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.”

*Pensions Act 2004 (c. 35)*

486 The Pensions Act 2004 is amended as follows.

487 In Schedule 3 (restricted information held by the Regulator: certain permitted disclosures to facilitate exercise of functions), in the entry relating to the Commissioners of Inland Revenue or their officers—

- (a) omit the “or” immediately after paragraph (f), and
- (b) in the second column after paragraph (g) insert “or—
  - (h) the Income Tax Act 2007 (so far as relating to functions previously exercised under the Income and Corporation Taxes Act 1988).”

488 In Schedule 8 (restricted information held by the Board: certain permitted disclosures to facilitate exercise of functions), in the entry relating to the Commissioners of Inland Revenue or their officers—

- (a) omit the “or” immediately after paragraph (e), and
- (b) in the second column after paragraph (f) insert “or—
  - (g) the Income Tax Act 2007 (so far as relating to functions previously exercised under the Income and Corporation Taxes Act 1988).”

*Constitutional Reform Act 2005 (c. 4)*

489 The Constitutional Reform Act 2005 is amended as follows.

490 In paragraph 4 of Schedule 7 (protected functions of the Lord Chancellor) at the end of Part A (general) insert—

*“Income Tax Act 2007*

*Section 704(1)”.*

491 In the table in Part 3 of Schedule 14 (appointments by the Lord Chancellor: offices to which paragraph 2(2)(d) of Schedule 12 to the Act applies) at the end add—

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“Chairman of section 704 tribunal	Section 704(1) of the Income Tax Act 2007
Member of section 704 tribunal	”

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*Income Tax (Trading and Other Income) Act 2005 (c. 5)*

492 The Income Tax (Trading and Other Income) Act 2005 is amended as follows.

493 In section 1 (overview of Act) omit subsection (2).

494 In section 12(3) (profits of mines etc) for “Chapter 1 of Part 10 of ICTA” substitute “Part 4 of ITA 2007”.

495 (1) Amend section 13 (visiting performers) as follows.

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- (2) In subsection (8) omit the definitions of “payment” and “transfer”.
- (3) After that subsection insert—
- “(9) In this section and section 14—
- (a) references to a payment include references to a payment by way of loan of money, and
- (b) references to a transfer do not include references to a transfer of money but, subject to that, include references to—
- (i) a temporary transfer (as by way of loan), and
- (ii) a transfer of a right (whether or not a right to receive money).
- (10) This section does not apply to payments or transfers of a kind prescribed in regulations under section 966(6) of ITA 2007.”
- 496 In section 17(3) (effect of becoming or ceasing to be a UK resident) for “set off under section 385 of ICTA against” substitute “deducted under section 83 of ITA 2007 from”.
- 497 Omit section 51 (patent royalties).
- 498 (1) Amend section 52 (exclusion of double relief for interest) as follows.
- (2) In subsections (1), (5) and (6) for “section 353 of ICTA” substitute “section 383 of ITA 2007”.
- (3) In subsection (6) for “section 368(3) of ICTA” substitute “section 387(2) and (3) of that Act”.
- 499 In section 87(5) (expenses of research and development) for “section 837A of ICTA” substitute “section 1006 of ITA 2007”.
- 500 In section 108(4) (gifts of trading stock etc to charities) omit paragraphs (c) and (d).
- 501 In section 179(a) (connected persons) for “section 839 of ICTA” substitute “section 993 of ITA 2007”.
- 502 (1) Amend section 232 (treatment of trading adjustment income) as follows.
- (2) In subsection (3) for “Chapter 1 of Part 10 of ICTA” substitute “Part 4 of ITA 2007”.
- (3) In subsection (4) for the words from “the trade” to the end substitute “the trade is relevant UK earnings within section 189(2)(b) of FA 2004, adjustment income is similarly relevant UK earnings.”
- 503 In section 248(3) (debts paid after cessation)—
- (a) for “section 109A(4) or (4A) of ICTA” substitute “section 96 of ITA 2007”, and
- (b) after “expenditure” insert “as a result of subsection (1)(b) of that section”.
- 504 (1) Amend section 250 (receipts relating to post-cessation expenditure) as follows.
- (2) In subsection (1) for “section 109A of ICTA” substitute “section 96 of ITA 2007”.
- (3) In subsection (2)—
- (a) in paragraph (a) for “section 109A(2)(a) or (b) of ICTA” substitute “section 97(2) or (3) of ITA 2007”,



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- (b) in paragraph (b) for “section 109A(2)(c) of ICTA” substitute “ section 97(4) of ITA 2007 ”, and
  - (c) in paragraph (c) for “section 109A(2)(d) of ICTA” substitute “ section 97(5) of ITA 2007 ”.
- 505 In section 254(3)(b) (allowable deductions) for “section 90(4) of FA 1995” substitute “ section 261D of TCGA 1992 ”.
- 506 (1) Amend section 256 (treatment of post-cessation receipts) as follows.
  - (2) In subsection (1)(b) omit “earned income within section 833(4)(c) of ICTA or”.
  - (3) In subsection (2) omit “earned income or”.
- 507 In section 272(2) (profits of a property business: application of trading income rules), omit the entry in the table relating to section 51.
- 508 In section 322(2) (commercial letting of furnished holiday accommodation)—
  - (a) omit paragraphs (b) and (c), and
  - (b) for paragraph (f) and the “and” immediately before that paragraph substitute—
    - “(f) section 189(2)(ba) of FA 2004 (meaning of “relevant UK earnings” for pension purposes),
    - (g) Part 4 of ITA 2007 (loss relief: see section 127 of that Act), and
    - (h) section 836(3) of ITA 2007 (jointly held property: see exception D).”
- 509 In section 327(2)(b) (capital allowances and loss relief) for “Chapter 1 of Part 10 of ICTA” substitute “ Part 4 of ITA 2007 ”.
- 510 (1) Amend section 328 (earned income and relevant UK earnings for pension purposes) as follows.
  - (2) In subsection (2) for “treated as” to the end substitute “ relevant UK earnings within section 189(2)(ba) of FA 2004. ”
  - (3) In the sidenote omit “Earned income and”.
- 511 In section 333(3) (treatment of property business adjustment income) for “Chapter 1 of Part 10 of ICTA” substitute “ Part 4 of ITA 2007 ”.
- 512 In section 354(2) (other rules about what counts as a “post-cessation receipt”)—
  - (a) after “section 248 (debts paid after cessation)” insert “ (reading the reference in subsection (3) to section 96 of ITA 2007 as a reference to section 125 of that Act) ”, and
  - (b) after “section 250 (receipts relating to post-cessation expenditure)” insert “ (reading the reference in subsection (1) to section 96 of ITA 2007 as a reference to section 125 of that Act) ”.
- 513 In section 369(4) (charge to tax on interest) for the words from “sections 714(5)” to the end substitute “ Chapter 3 of Part 12 of ITA 2007 (exemption for interest on securities to which Chapter 2 of that Part applies) ”.
- 514 In section 372(2) (building society dividends) for the words from “has” to the end substitute “ includes any distribution (whether or not described as a dividend) ”.

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- 515 (1) Amend section 397 (tax credits for qualifying distributions: UK residents and eligible non-UK residents) as follows.
- (2) In subsection (2) omit paragraph (b) and the “or” immediately before it.
- (3) In subsection (4) after “ICTA” insert “ or section 56(3) of ITA 2007 ”.
- (4) In subsection (6) for the words from “section 231AA” to “umbrella scheme),” substitute—
- “section 504(4) of ITA 2007 (disapplication of certain provisions for income of unauthorised unit trusts),
- section 592 of ITA 2007 (no tax credits for borrower under stock lending arrangement),
- section 593 of ITA 2007 (no tax credits for interim holder under repo),
- section 594 of ITA 2007 (no tax credits for original owner under repo),”.
- 516 (1) Amend section 399 (qualifying distributions received by persons not entitled to tax credits) as follows.
- (2) In subsection (4) for the words from “and the distribution” to “treated” substitute “, the amount or value of the distribution is treated for the purposes of Chapters 3, 4 and 6 of Part 9 of ITA 2007 (special rates for trustees' income) ”.
- (3) In subsection (7) for the words from “section 231AA(1A)” to the end substitute—
- “section 504(4) of ITA 2007 (disapplication of certain provisions for income of unauthorised unit trusts),
- section 592 of ITA 2007 (no tax credits for borrower under stock lending arrangement),
- section 593 of ITA 2007 (no tax credits for interim holder under repo), and
- section 594 of ITA 2007 (no tax credits for original owner under repo).”
- 517 (1) Amend section 400 (non-qualifying distributions) as follows.
- (2) In subsection (4) for the words from “income to which” to the end substitute “ assessed (in whole or in part) at the dividend trust rate by virtue of Chapter 3 of Part 9 of ITA 2007 (trustees' accumulated or discretionary income to be charged at special rates), the trustees' liability for income tax at that rate is reduced ”.
- (3) After subsection (6) insert—
- “(7) Subsection (2) is subject to section 504(4) of ITA 2007 (disapplication of certain provisions for income of unauthorised unit trusts).”
- 518 In section 401 (relief: qualifying distribution after linked non-qualifying distribution) after subsection (6) insert—
- “(6A) The reduction under this section is given effect at Step 6 of the calculation in section 23 of ITA 2007.”
- 519 In section 410(3)(b) (stock dividend income arising to trustees) for the words from “income” to the end substitute “ accumulated or discretionary income (as defined in section 480 of ITA 2007 but excluding income arising under a trust established

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- for charitable purposes only or an unauthorised unit trust in relation to which section 504 of that Act applies) ”.
- 520 (1) Amend section 414 (stock dividends from UK resident companies: income tax to be treated as paid) as follows.
- (2) In subsection (1) for “income to which section 686 of ICTA applies” substitute “accumulated or discretionary income (as defined in section 480 of ITA 2007) ”.
- (3) In subsection (4) after “fall to be made” insert “ at Step 2 or 3 of the calculation in section 23 of ITA 2007 (calculation of income tax liability) ”.
- 521 In section 418(5) (loans to participator in close company: relief where borrowers liable as settlors) for “rate applicable to trusts” substitute “ trust rate ”.
- 522 In section 421(4) (loans to participator in close company: income tax treated as paid) after “fall to be made” insert “ at Step 2 or 3 of the calculation in section 23 of ITA 2007 (calculation of income tax liability) ”.
- 523 (1) Amend section 426 (annuity payments received after deduction of tax) as follows.
- (2) For “Income tax deducted under either of the following sections” substitute “ In accordance with section 848 of ITA 2007 a sum representing income tax deducted under section 901 of that Act ”.
- (3) Omit the words after “recipient”.
- 524 In section 446 (strips of government securities: relief for losses) for subsection (2) substitute—
- “(2) If a person makes a claim under this section, the relief is given by deducting the loss in calculating the person's net income for the tax year in which the disposal occurs (see Step 2 of the calculation in section 23 of ITA 2007).”
- 525 In section 454 (listed securities held since 26th March 2003: relief for losses) for subsection (4) substitute—
- “(4) If a claim under this section is made by a person other than a trustee, the relief is given by deducting the loss in calculating the person's net income for the tax year in which the disposal occurs (see Step 2 of the calculation in section 23 of ITA 2007).”
- 526 (1) Amend section 457 (disposal of deeply discounted securities by trustees) as follows.
- (2) Omit subsection (3).
- (3) For subsection (5) substitute—
- “(5) If the trustees are trustees of a scheme in relation to which section 504 of ITA 2007 applies, subsection (2) does not apply to profits which are shown in the scheme's accounts as income available for payment to unit holders or for investment.”
- 527 In section 459(2) (profits from deeply discounted securities: transfer of assets abroad) for “sections 739 and 740 of ICTA (transfer of assets abroad) have” substitute “ Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad) has ”.
- 528 In section 460(2) (profits from deeply discounted securities: minor definitions) for “section 709(1)” substitute “ section 840ZA ”.
- 529 After section 465 insert—

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**“465A Amounts for which individuals liable to be treated as highest part of total income**

- (1) This section applies if—
- (a) an individual is liable for tax under this Chapter in respect of an amount, and
  - (b) the individual is treated by section 530 as having paid income tax at the savings rate on the amount.
- (2) The amount is treated as the highest part of the individual's total income.
- (3) Subsection (2) has effect for all income tax purposes except the purposes of sections 535 to 537 (gains from contracts for life insurance etc: top slicing relief).
- (4) See section 1012 of ITA 2007 (relationship between highest part rules) for the relationship between—
- (a) the rule in subsection (2), and
  - (b) other rules requiring particular income to be treated as the highest part of a person's total income.”
- 530 In section 466(2) (person liable: personal representatives) for “lower rate” substitute “ savings rate ”.
- 531 (1) Amend section 467 (liability of trustees for tax on gains from contracts for life insurance etc) as follows.
- (2) After subsection (1) insert—
- “(1A) If trustees are liable for tax under this Chapter, the gain is treated for income tax purposes as income of the trustees.”
- (3) For subsection (7) substitute—
- “(7) If trustees are liable for tax under this Chapter, it is charged at the savings rate if—
- (a) condition A is met, or
  - (b) condition D is met and the trustees are trustees of a charitable trust.”
- 532 In section 468 (gains from contracts for life insurance etc: non-UK resident trustees and foreign institutions)—
- (a) in subsection (2) for “Sections 739 and 740”, “prevent” and “apply” substitute “ Chapter 2 of Part 13 of ITA 2007 ”, “prevents” and “applies” respectively, and
  - (b) in subsections (3) and (4) for “sections 739 and 740 apply” substitute “ Chapter 2 of Part 13 of ITA 2007 applies ”.
- 533 In section 482 (excepted group life policies: conditions about persons intended to benefit)—
- (a) in subsection (6) omit the definition of “tax advantage”, and
  - (b) after that subsection insert—
- “(7) In this section “tax advantage” has the meaning given by section 840ZA of ICTA.”

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534 In section 520(4) (the property categories) after the definition of “internal linked fund” insert—

““investment trust” has the meaning given by section 842 of ICTA,”.

535 (1) Amend section 530 (income tax treated as paid) as follows.

(2) In subsection (1) for “lower rate” substitute “ savings rate ”.

(3) In subsection (4) after “fall to be made” insert “ at Step 2 or 3 of the calculation in section 23 of ITA 2007 (calculation of income tax liability) ”.

536 (1) Amend section 535 (top slicing relief) as follows.

(2) After subsection (2) insert—

“(2A) If the relief is given by a reduction in income tax, it is given effect at Step 6 of the calculation in section 23 of ITA 2007.”

(3) In subsection (3)—

(a) for “LRL”, in both places where it occurs, substitute “ SRL ”, and

(b) for “lower rate” substitute “ savings rate ”.

(4) After subsection (6) insert—

“(7) For the purposes of the calculations mentioned in subsection (1) any relief under Chapter 2 or 3 of Part 8 of ITA 2007 (which relate to gift aid and other gifts to charities) is ignored.”

537 In section 536(1) (top slicing relieved liability: one chargeable event) in paragraph (b) of Step 2 for “lower rate” substitute “ savings rate ”.

538 In section 537 (top slicing relieved liability: two or more chargeable events) in paragraph (b) of Step 2 for “lower rate” substitute “ savings rate ”.

539 For section 539 (relief for deficiencies) substitute—

**“539 Relief for deficiencies**

(1) An individual is entitled to a tax reduction for a tax year in which a deficiency arises from a policy or contract on a chargeable event if—

(a) the condition in subsection (2) is met,

(b) the individual would (apart from this section) be liable to income tax at the higher rate or the dividend upper rate (or both) for the tax year, and

(c) the individual makes a claim.

(2) The condition is that, if a gain had arisen instead on the chargeable event—

(a) the individual would have been liable to income tax on the gain for the year, or

(b) the individual would have been so liable apart from the requirement in section 465(1) that the individual must be UK resident in the tax year in which the gain arises.

(3) The tax reduction is given effect at Step 6 of the calculation in section 23 of ITA 2007.

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(4) See section 540 for the cases in which a deficiency is treated as arising from a policy or contract on a chargeable event, section 541 for how the deficiency is calculated and section 469(5) for the apportionment of deficiencies in cases where two or more persons are interested in a policy or contract.

(5) The amount of the tax reduction is calculated as follows.

*Step 1*

Attribute to the amount of the deficiency an amount of the individual's income for the tax year which is liable at the dividend upper rate, so far as is possible.

*Step 2*

If there is an amount of the deficiency remaining after Step 1, attribute to the remaining amount of the deficiency an amount of the individual's savings income for the tax year which is liable at the higher rate, so far as is possible.

*Step 3*

If there is an amount of the deficiency remaining after Step 2, attribute to the remaining amount of the deficiency an amount of the individual's other income for the tax year which is liable at the higher rate, so far as is possible.

*Step 4*

Calculate the amount of the individual's preliminary income tax liability for the tax year (see subsection (6)).

*Step 5*

Calculate the amount of the individual's preliminary income tax liability for the tax year again, on these assumptions—

Assume that any income attributed to the deficiency at Step 1 is liable at the dividend ordinary rate.

Assume that any income attributed to the deficiency at Step 2 is liable at the savings rate.

Assume that any income attributed to the deficiency at Step 3 is liable at the basic rate.

*Step 6*

Deduct the amount found at Step 5 from the amount found at Step 4.

The result is the amount of the tax reduction.

(6) The individual's preliminary income tax liability is the amount found by calculating the individual's income tax liability in accordance with section 23 of ITA 2007, ignoring Steps 6 and 7 of that calculation.”

540 In section 546(4) (table of provisions subject to special rules for older policies and contracts), in the first column of the table, for “Section 539(3)” substitute “ Section 539 ”.

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- 541 (1) Amend section 547 (income tax chargeable on income treated as received from unauthorised unit trust) as follows.
- (2) In subsection (1) for the words from “scheme” to the end substitute “ unit trust scheme to which this section applies ”.
- (3) After subsection (2) insert—
- “(3) This section applies to a unit trust scheme if—
- (a) the scheme is an unauthorised unit trust, and
- (b) the trustees of the scheme are UK resident.”

542 For section 550 substitute—

**“550 Income tax treated as paid**

In accordance with section 848 of ITA 2007, a sum representing income tax treated as deducted from income within this Chapter as a result of section 941 of that Act (deemed deduction from unit holder's income) is treated as income tax paid by the unit holder.”

543 In section 567(2) (disposals of futures and options involving guaranteed returns: losses) for “section 392 of ICTA” substitute “ section 152 of ITA 2007 ”.

544 In section 569(2) (disposal of futures and options involving guaranteed returns: anti-avoidance: transfer of assets abroad) for “sections 739 and 740 of ICTA (transfer of assets abroad) have” substitute “ Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad) has ”.

545 In section 570(5) (charge to tax under Chapter 13: sales of foreign dividend coupons) for “section 840A of ICTA” substitute “ section 991 of ITA 2007 ”.

- 546 (1) Amend section 595 (deduction of tax from payments to non-UK residents) as follows.
- (2) In subsection (2) for the words after “which” substitute “ is to be deducted under section 910 of ITA 2007 ”.
- (3) In subsection (3) for the words after “which” substitute “is to be deducted under section 910 of ITA 2007”.

547 In section 601 (how relief for patent expenses is given) after subsection (2) insert—

“(2A) The deduction or set-off is given effect at Step 2 of the calculation in section 23 of ITA 2007.”

- 548 (1) Amend section 602 (payments received after deduction of tax) as follows.
- (2) For “Income tax deducted under either of the following sections” substitute “ In accordance with section 848 of ITA 2007, a sum representing income tax deducted under either of the following Chapters ”.
- (3) For the words after “recipient” substitute “—
- Chapter 6 of Part 15 of ITA 2007 (deduction from annual payments and patent royalties), and
- Chapter 7 of that Part (deduction from other payments connected with intellectual property).”

549 (1) Amend section 618 (payments received after deduction of tax) as follows.

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- (2) For “Income tax deducted under either of the following sections” substitute “ In accordance with section 848 of ITA 2007, a sum representing income tax deducted under Chapter 6 of Part 15 of that Act ”.
- (3) Omit the words after “recipient”.
- 550 In section 619(2) (charge to tax on settlor)—
- (a) for “sections 1 to 1B of ICTA” substitute “ Chapter 2 of Part 2 of ITA 2007 (rates at which income tax is charged) ”, and
- (b) for “Tax Acts” substitute “ Income Tax Acts ”.
- 551 After section 619 insert—
- “619A Income treated as highest part of settlor's total income**
- (1) This section applies to income which is treated as income of a settlor as a result of section 624 (income where settlor retains an interest) or 629 (income paid to unmarried minor children of settlor).
- (2) The income is treated as the highest part of the settlor's total income for the purposes of section 619 (so far as it relates to the income).
- (3) See section 1012 of ITA 2007 (relationship between highest part rules) for the relationship between—
- (a) the rule in subsection (2), and
- (b) other rules requiring particular income to be treated as the highest part of a person's total income.”
- 552 In section 620(5) (which contains various definitions) in the definition of “charity” for the words from “each” to the end substitute—
- “(a) the Trustees of the National Heritage Memorial Fund,
- (b) the Historic Buildings and Monuments Commission for England, and
- (c) the National Endowment for Science, Technology and the Arts”.
- 553 In section 624 (income where settlor retains an interest in the settlement) after subsection (1) insert—
- “(1A) If the settlement is a trust, expenses of the trustees are not to be used to reduce the income of the settlor.”
- 554 In section 627(2) (income where settlor retains an interest: exceptions), in paragraph (b), for “section 25 of FA 1990 (donations to charity by individuals)” substitute “ Chapter 2 of Part 8 of ITA 2007 (gift aid) ”.
- 555 (1) Amend section 628 (exception for gifts to charities) as follows.
- (2) In subsection (2)—
- (a) in paragraph (a) for “is to” substitute “ must ”, and
- (b) in paragraph (b) omit the words after “person”.
- (3) After that subsection insert—



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- “(2A) The cases covered by subsection (2)(b) include cases where the trustees have, or any other person has, any discretion over one or more of the following matters—
- (a) whether, or the extent to which, the income is to be accumulated,
  - (b) the persons to whom the income is to be paid, and
  - (c) how much of the income is to be paid to any person.”
- (4) In subsection (6)—
- (a) in the definition of “charity” for the words from “each” to the end substitute—
    - “(a) the Trustees of the National Heritage Memorial Fund,
    - (b) the Historic Buildings and Monuments Commission for England, and
    - (c) the National Endowment for Science, Technology and the Arts, and”, and
  - (b) omit the definition of “resident” and the “and” immediately after it.
- 556 In section 631(7) (retained and accumulated income) for “the total income” substitute “ the child's total income or net income at Step 2 or 3 of the calculation in section 23 of ITA 2007 ”.
- 557 In section 635(3)(d) (settlements: amounts treated as income of settlor: amount of available income) for “rate applicable to trusts” substitute “ trust rate ”.
- 558 (1) Amend section 636 (calculation of undistributed income) as follows.
- (2) In subsection (6) for “section 505 of ICTA (charities: general)” substitute “ any provision to which subsection (7) applies ”.
- (3) After that subsection insert—
- “(7) This subsection applies to the following provisions of ITA 2007—
- section 521(4) (gifts entitling donor to gift-aid relief),
  - section 522(5) (gifts of money from companies),
  - section 523(5) (payments from other charities),
  - section 524 (profits etc of charitable trades),
  - section 529 (profits from fund-raising events),
  - section 530 (profits from lotteries),
  - section 531 (property income etc),
  - section 532 (savings and investment income),
  - section 533 (public revenue dividends),
  - section 536 (miscellaneous income), and
  - section 537 (income from estates in administration).”
- 559 In section 640(1) and (3)(a) (settlements: amounts treated as income of settlor: grossing-up of deemed income) for “rate applicable to trusts” substitute “ trust rate ”.
- 560 After section 646 insert—

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### “646A Trustees' expenses to be rateably apportioned

- (1) This section applies if—
  - (a) in a tax year qualifying income arises under a UK settlement, and
  - (b) the qualifying income consists of charitable income and non-charitable income.
- (2) If expenses of the trustees are to be set against the charitable income by virtue of section 484 of ITA 2007, the amount of those expenses which can be used for that purpose is limited to the amount allocated to the charitable income.
- (3) If—
  - (a) Chapter 8 of Part 9 of ITA 2007 applies in relation to the charitable income, and
  - (b) expenses of the trustees are to be used to reduce the charitable income for income tax purposes,
 the amount of those expenses which can be used for that purpose is limited to the amount allocated to the charitable income.
- (4) For the purposes of subsections (2) and (3) the amount of the expenses allocated to the charitable income is determined by apportioning them rateably between the charitable income and the non-charitable income.
- (5) In this section—
  - “charitable income” means income within section 628(1) or 630(1),
  - “non-charitable income” means income which is not charitable income, and
  - “qualifying income” and “UK settlement” have the same meaning as in section 628.”

561 In section 669(3)(a) (reduction in residuary income: inheritance tax on accrued income) for sub-paragraph (i) substitute—

“(i) in the case of savings income, at the savings rate, and”.

562 In section 677 (relief where UK income tax borne by foreign estate: absolute interests) after subsection (2) insert—

“(3) The tax reduction under this section is given effect at Step 6 of the calculation in section 23 of ITA 2007.”

563 In section 678 (relief where UK income tax borne by foreign estate: limited and discretionary interests) after subsection (2) insert—

“(3) The tax reduction under this section is given effect at Step 6 of the calculation in section 23 of ITA 2007.”

564 In section 679(3)(b) (income from which basic amounts are treated as paid) for “lower rate” substitute “savings rate”.

565 In section 680(4) (income treated as bearing income tax) for “lower rate” substitute “savings rate”.

566 After section 680 insert—

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### “680A Income treated as savings income or dividend income

- (1) Subsections (2) and (3) apply to income if it—
  - (a) is treated under section 656(3) or 657(4) (gross amount of estate income treated as bearing tax at the applicable rate) as bearing tax at the savings rate or the dividend ordinary rate, and
  - (b) is not paid through a trustee.
- (2) So far as the income is treated as bearing tax at the savings rate, it is treated as savings income.
- (3) So far as the income is treated as bearing tax at the dividend ordinary rate, it is treated as dividend income.
- (4) Subsections (5) and (6) apply to income if it—
  - (a) is treated by section 662, read with section 656(3) or 657(4), as bearing tax at the savings rate or the dividend ordinary rate, and
  - (b) is paid through a trustee.
- (5) So far as the income is treated as bearing tax at the savings rate, it is treated as savings income of the trustee.
- (6) So far as the income is treated as bearing tax at the dividend ordinary rate, it is treated as dividend income of the trustee.”

567 In section 682 (assessments, adjustments and claims after the administration period) after subsection (4) insert—

“(4A) The excess charged under subsection (4)(b) is treated as an amount of income for income tax purposes, except so far as it represents a tax reduction given effect at Step 6 of the calculation in section 23 of ITA 2007.”

568 In section 684(3) (Chapter 7 of Part 5 subject to section 687 of ICTA) for “section 687 of ICTA” substitute “ section 494 of ITA 2007 ”.

569 (1) Amend section 685A (discretionary payments under settlor-interested settlements) as follows.

- (2) In subsection (4) omit paragraph (c) and the “and” immediately before it.
- (3) In subsection (6) for “Section 687 of ICTA” substitute “ Sections 494 and 495 of ITA 2007 ”.

570 (1) Amend section 686 (payments received after deduction of tax) as follows.

- (2) In subsection (1)—
  - (a) for “Income tax deducted under either of the following sections” substitute “ In accordance with section 848 of ITA 2007, a sum representing income tax deducted under Chapter 6 of Part 15 of that Act ”, and
  - (b) omit the words after “recipient”.
- (3) In subsection (2) for “section 687(2) of that Act” substitute “ section 494(3) of ITA 2007 ”.

571 In section 704(4)(a) (types of arrangements and providers) for “section 840A(1)(b) of ICTA” substitute “ section 991(2)(b) of ITA 2007 ”.

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- 572 In section 714(6) (exemption of profits from FOTRA securities) for “Chapter 3 of Part 17 of ICTA” substitute “ Chapter 2 of Part 13 of ITA 2007 ”.
- 573 In section 724 (regulations) omit subsection (3).
- 574 In section 755(3) (exemption of interest on foreign currency securities etc owned by non-UK residents) for “Chapter 3 of Part 17 of ICTA” substitute “ Chapter 2 of Part 13 of ITA 2007 ”.
- 575 In section 756A(5) (interest on certain deposits of victims of National-Socialist persecution) for “meaning given by section 481(3) of ICTA” substitute “ same meaning as in Chapter 19 of Part 15 of ITA 2007 (see section 983 of that Act) ”.
- 576 In section 757 (interest and royalty payments: introduction) at the end insert—  
“(4) See section 914 of ITA 2007 for provision enabling a company to make a royalty payment gross if it reasonably believes that the payment is exempt from income tax as a result of section 758 of this Act.”
- 577 In section 767(2) (power to amend references to the Directive by order)—  
(a) for “section 101 of FA 2004” substitute “ sections 914 to 916 of ITA 2007 ”, and  
(b) for “subsection (9) of that section” substitute “ section 917(2) of that Act ”.
- 578 In section 841 (unremittable income: introduction) for subsection (5) substitute—  
“(5) This Chapter does not apply to accrued income profits which a person is treated as making under Chapter 2 of Part 12 of ITA 2007, but see sections 668 and 669 of that Act (which make similar provision).”
- 579 In section 852(7) (carrying on by partner of notional trade) for “carried forward under section 385 of ICTA and set against” substitute “ deducted under section 83 of ITA 2007 from ”.
- 580 In section 863(2) (limited liability partnerships)—  
(a) in paragraph (a) after “firm” insert “ or partnership ”, and  
(b) in paragraph (b)—  
(i) after “members”, in the first place where it occurs, insert “ or partners ”, and  
(ii) after “firm” insert “ or partnership ”.
- 581 In section 871 (apportionment etc of miscellaneous profits to tax year)—  
(a) in subsection (1)(a) for “section 836B of ICTA” substitute “ section 1016 of ITA 2007 ”, and  
(b) in subsection (2)—  
(i) for “section 836B of ICTA” substitute “ section 1016 of ITA 2007 ”, and  
(ii) for “subsection (4)(a)” substitute “ subsection (3)(a) ”.
- 582 In section 872(3)(a) (losses calculated on same basis as miscellaneous income) for “section 836B of ICTA” substitute “ section 1016 of ITA 2007 ”.
- 583 Omit section 876 (meaning of “farming” and related expressions).
- 584 Omit section 877 (meaning of “grossing up”).
- 585 (1) Amend section 878 (other definitions) as follows.  
(2) In subsection (1)—

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- (a) omit the definition of “charity”,
  - (b) after the definition of “houseboat” insert “ and ”, and
  - (c) omit the words after the definition of “income”.
- (3) In subsection (5) for “Section 839 of ICTA” substitute “ Section 993 of ITA 2007 ”.
- (4) In subsection (6) for “Section 840 of ICTA (meaning of control in relation to a body corporate)” substitute “ Section 995 of ITA 2007 (meaning of “control”) ”.
- 586 In section 879 (interpretation: Scotland)—
- (a) in subsection (1) omit the definitions of “assignment” and “surrender” and the “and” immediately before the definition of “surrender”, and
  - (b) omit subsection (2).
- 587 In section 885(3)(c) (general index in Schedule 4) for “ICTA or ITEPA 2003” substitute “ another Act ”.
- 588 In Schedule 2 (transitionals and savings etc) omit paragraph 50(3).
- 589 (1) Amend paragraph 82 of Schedule 2 (transitionals and savings etc) as follows.
- (2) In paragraph (a) for “section 505(1) of ICTA (exemption from income tax for certain income forming part of the income of a charity)” substitute “ any of sections 521(4), 522(5), 523(5), 524, 529 to 533, 536 and 537 of ITA 2007 (certain exemptions: special rules about charitable trusts) ”.
  - (3) In paragraph (b) for the words from “505(3)” to the end substitute “ 541 of that Act (restrictions on exemptions: attributing items of income to the non-exempt amount) ”.
- 590 In paragraph 109(4) of Schedule 2 (transitional provision: contracts in accounting periods beginning before 1st January 1992) for the words from “Section 539(3)” to the end substitute “Section 539 (relief for deficiencies) has effect as if for subsections (1) to (6) there were substituted—
- “(1) A deficiency from a policy or contract arising on a chargeable event is allowable as a deduction in calculating an individual's net income for a tax year if, had a gain arisen instead on the chargeable event—
    - (a) the individual would have been liable to income tax on the gain for that year, or
    - (b) the individual would have been so liable apart from the requirement in section 465(1) that the individual must be UK resident in the tax year in which the gain arises.
  - (2) See section 540 for the cases in which a deficiency is treated as arising from a policy or contract on a chargeable event, section 541 for how the deficiency is calculated and section 469(5) for the apportionment of deficiencies in cases where two or more persons are interested in a policy or contract.””
- 591 In Part 1 of Schedule 4 (abbreviations) in the appropriate place insert—
- |           |                          |
|-----------|--------------------------|
| “ITA 2007 | The Income Tax Act 2007” |
|-----------|--------------------------|
- 592 (1) Amend Part 2 of Schedule 4 (index of defined expressions) as follows.

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- (2) In the entry for “assignment (in the application of the Act to Scotland)”, in the second column, for “section 879(1)” substitute “ section 1008(1) of ITA 2007 ”.
- (3) In the entry for “authorised unit trust”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (4) In the entry for “basic rate”, in the second column, for “section 832(1) of ICTA” substitute “ section 6(2) of ITA 2007 (as applied by section 989 of that Act) ”.
- (5) In the entry for “body of persons”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (6) In the entry for “building society”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (7) In the entry for “capital allowance”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (8) Omit the entry for “chargeable period”.
- (9) In the entry for “charity”, in the second column, for “section 878(1)” substitute “ section 989 of ITA 2007 ”.
- (10) Omit the entry for “child”.
- (11) In the entry for “company”, in the second column, for “section 832(1) of ICTA” substitute “ section 992 of ITA 2007 ”.
- (12) In the entry for “connected”, in the second column, for “section 839 of ICTA” substitute “ section 993 of ITA 2007 ”.
- (13) In the entry for “control”—
  - (a) in the first column, omit “(in relation to a body corporate)”, and
  - (b) in the second column, for “section 840 of ICTA” substitute “ section 995 of ITA 2007 ”.
- (14) In the entry for “distribution”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (15) In the entry for “the dividend ordinary rate”, in the second column, for “section 832(1) of ICTA” substitute “ section 8(1) of ITA 2007 (as applied by section 989 of that Act) ”.
- (16) In the entry for “the dividend trust rate”, in the second column, for “section 832(1) of ICTA” substitute “ section 9(2) of ITA 2007 (as applied by section 989 of that Act) ”.
- (17) In the entry for “the dividend upper rate”, in the second column, for “section 832(1) of ICTA” substitute “ section 8(2) of ITA 2007 (as applied by section 989 of that Act) ”.
- (18) In the entry for “estate in land (in relation to any land in Scotland)”, in the second column, for “section 832(1) of ICTA” substitute “ section 1008(1) of ITA 2007 ”.
- (19) In the entry for “farming”, in the second column, for “section 876” substitute “ section 996 of ITA 2007 ”.
- (20) In the entry for “for accounting purposes”, in the second column, for “section 832(1) of ICTA” substitute “ section 997 of ITA 2007 ”.

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- (21) In the entry for “forestry”, in the second column, for “section 876(3)” substitute “section 996(3) of ITA 2007”.
- (22) In the entry for “generally accepted accounting practice”, in the second column, for “section 832(1) of ICTA and section 50 of FA 2004” substitute “section 997 of ITA 2007”.
- (23) In the entry for “grossing up”, in the second column, for “section 877” substitute “section 998 of ITA 2007”.
- (24) In the entry for “higher rate”, in the second column, for “section 832(1) of ICTA” substitute “section 6(2) of ITA 2007 (as applied by section 989 of that Act)”.
- (25) Omit the entry for “interest”.
- (26) In the entry for “international accounting standards”, in the second column, for “section 832(1) of ICTA and section 50(2) of FA 2004” substitute “section 997 of ITA 2007”.
- (27) Omit the entry for “investment trust”.
- (28) In the entry for “local authority”, in the second column, for “section 842A of ICTA” substitute “section 999 of ITA 2007”.
- (29) Omit the entry for “lower rate”.
- (30) In the entry for “market gardening”, in the second column, for “section 876(5)” substitute “section 996(5) of ITA 2007”.
- (31) In the entry for “non-UK resident”, in the second column, for “section 878(1)” substitute “section 989 of ITA 2007”.
- (32) In the entry for “normal self-assessment filing date”, in the second column, for “section 878(1)” substitute “section 989 of ITA 2007”.
- (33) In the entry for “notice”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (34) In the entry for “oil and gas exploration and appraisal”, in the second column, for “section 837B of ICTA” substitute “section 1003 of ITA 2007”.
- (35) In the entry for “ordinary share capital”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (36) In the entry for “period of account”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (37) In the entry for “permanent establishment”, in the second column, for “section 832(1) of ICTA and section 148 of FA 2003” substitute “section 148 of FA 2003 (as applied by section 989 of ITA 2007)”.
- (38) In the entry for “personal representatives”, in the second column, for “section 878(1)” substitute “section 989 of ITA 2007”.
- (39) In the entry for “profits or gains”, in the second column, for “section 833(1) of ICTA” substitute “section 989 of ITA 2007”.

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- (40) In the entry for “property or rights held on trust or on trusts (in the application of the Act to Scotland)”, in the second column, for “section 879(2)” substitute “section 1008(2) of ITA 2007”.
- (41) In the entry for “qualifying distribution”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (42) In the entry for “qualifying policy”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (43) Omit the entry for “the rate applicable to trusts”.
- (44) In the entry for “recognised stock exchange”, in the second column, for “section 841(1) of ICTA” substitute “section 1005 of ITA 2007”.
- (45) In the entry for “registered pension scheme”, in the second column, for “section 832(1) of ICTA and section 150(2) of FA 2004” substitute “section 150(2) of FA 2004 (as applied by section 989 of ITA 2007)”.
- (46) In the entry for “retail prices index”, in the second column, for “section 833(2) of ICTA” substitute “section 989 of ITA 2007”.
- (47) After the entry for “sale proceeds of an animal” insert—

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“savings rate	section 18 of ITA 2007 (as applied by section 989 of that Act)”
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- (48) In the entry for “Schedule A business”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (49) In the entry for “starting rate”, in the second column, for “section 832(1) of ICTA” substitute “section 6(2) of ITA 2007 (as applied by section 989 of that Act)”.
- (50) In the entry for “stepchild”, in the second column, for “section 832(1) of ICTA” substitute “section 246 of the Civil Partnership Act 2004 (as applied by section 989 of ITA 2007)”.
- (51) In the entry for “surrender (in the application of the Act to Scotland)”, in the second column, for “section 879(1)” substitute “section 1008(1) of ITA 2007”.
- (52) In the entry for “tax year”, in the second column, for “section 878(1)” substitute “section 4(2) of ITA 2007 (as applied by section 989 of that Act)”.
- (53) In the entry for “the tax year 2005-06 etc”, in the second column, for “section 878(1)” substitute “section 4(4) of ITA 2007 (as applied by section 989 of that Act)”.
- (54) In the entry for “total income” for “section 835(1) of ICTA” substitute “section 23 of ITA 2007 (as applied by section 989 of that Act)”.
- (55) In the entry for “trade”, in the second column, for “section 832(1) of ICTA” substitute “section 989 of ITA 2007”.
- (56) After the entry for “transfer of work in progress” insert—

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“trust rate	section 9(1) of ITA 2007 (as applied by section 989 of that Act)”
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- (57) In the entry for “UK resident”, in the second column, for “section 878(1)” substitute “ section 989 of ITA 2007 ”.
- (58) In the entry for “unit holder”, in the second column, for “section 832(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (59) In the entry for “unit trust scheme”, in the second column, for “section 832(1) of ICTA” substitute “ section 1007 of ITA 2007 ”.
- (60) In the entry for “United Kingdom”, in the second column, for “section 830(1) of ICTA” substitute “ section 1013 of ITA 2007 ”.
- (61) In the entry for “venture capital trust”, in the second column, for “section 842AA(1) of ICTA” substitute “ section 989 of ITA 2007 ”.
- (62) In the entry for “within the charge to tax”, in the second column, for “section 832(1) of ICTA” substitute “ section 1009 of ITA 2007 ”.
- (63) In the entry for “woodlands”, in the second column, for “section 876(4)” substitute “ section 996(4) of ITA 2007 ”.

*Finance Act 2005 (c. 7)*

- 593 The Finance Act 2005 is amended as follows.
- 594 In section 26 (amount of relief for trustees of property held on trust for vulnerable persons) at the beginning insert “(1)” and at the end insert—
- “(2) The tax reduction is given effect at Step 6 of the calculation in section 23 of ITA 2007.”
- 595 (1) Amend section 27 (tax liability of trustees of property held on trust for vulnerable persons) as follows.
- (2) In subsection (2)—
- (a) in paragraph (b) for the words from “any expenses” to the end substitute “ allowable expenses ”, and
- (b) for “management” substitute “ allowable ”.
- (3) After that subsection insert—
- “(2A) References in subsection (2) to allowable expenses are to expenses which can be set against the total income in accordance with Chapter 4 of Part 9 of ITA 2007.”
- 596 In section 41(1) (interpretation of Chapter 4 of Part 2) in the definition of “tax year” omit paragraph (a) and the “and” immediately after it.
- 597 (1) Amend section 47A (alternative finance arrangements: diminishing share ownership) as follows.
- (2) In subsection (3)—
- (a) in paragraph (b) omit “within the meaning of section 840 of ICTA”, and
- (b) in paragraph (c) omit “, in each case within the meaning of section 840 of ICTA”.
- (3) After that subsection insert—

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- “(3A) For the purposes of subsection (3) whether a person is controlled by another person is determined in accordance with section 840 of ICTA.”
- 598 In section 51(2) (treatment of alternative finance arrangements)—
- (a) for “368 of ICTA” substitute “ 367 of ICTA and Chapter 1 of Part 8 of ITA 2007 (interest payments) ”, and
- (b) after “366” insert “ of ICTA and section 412 of ITA 2007 ”.
- 599 (1) Amend section 52 (alternative finance arrangements: provision not at arm's length) as follows.
- (2) In subsection (4)(b) for “against total income or, as the case may be,” substitute “ in calculating net income or, as the case may be, against ”.
- (3) In subsection (5)(b) for “against total income or, as the case may be,” substitute “ in calculating net income or, as the case may be, against ”.
- 600 Omit sections 74 to 78 (partners: recovery of excess relief).
- 601 In section 105 (interpretation) after the definition of “IHTA 1984” insert—
- ““ITA 2007” means the Income Tax Act 2007;”.
- 602 (1) Amend Schedule 2 (alternative finance arrangements: further provisions) as follows.
- (2) Omit paragraphs 3, 5 and 6.
- (3) After paragraph 10 insert—

*“Income Tax Act 2007*

- 11 Chapter 2 of Part 15 of ITA 2007 (deduction of income tax at source: deduction by deposit-takers and building societies) (and Chapter 19 of that Part so far as it has effect for the purposes of Chapter 2) have effect as if—
- (a) relevant arrangements were a deposit,
- (b) for the purposes of section 866(2)(a) of that Act, relevant arrangements were a deposit consisting of a loan, and
- (c) alternative finance return or profit share return payable under relevant arrangements were interest.
- 12 Chapters 3 to 5 of Part 15 of ITA 2007 (and Chapter 19 of that Part so far as it has effect for the purposes of those Chapters) have effect in relation to alternative finance return or profit share return as they have effect in relation to interest.
- 13 In Chapter 12 of Part 15 of ITA 2007 (funding bonds) references to interest include references to alternative finance return or profit share return.”

*Finance (No. 2) Act 2005 (c. 22)*

- 603 The Finance (No. 2) Act 2005 is amended as follows.
- 604 (1) Amend section 7 (charge to income tax on social security pension lump sum) as follows.
- (2) In subsection (5) for “total income” in each place substitute “ Step 3 income ”.
- (3) At the end insert—

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“(9) For the purposes of this section P's “Step 3 income” means P's net income less allowances deducted at Step 3 of the calculation in section 23 of ITA 2007 (calculation of income tax liability).”

605 In section 18(3)(b)(i) (authorised investment funds etc: section 17(3): specific powers) for “506(1) of ICTA” substitute “ 989 of ITA 2007 ”.

606 In section 71 (interpretation) after the definition of “ICTA” insert—  
““ITA 2007” means the Income Tax Act 2007;”.

*Pensions (Northern Ireland) Order 2005 (S.I. 2005/255 (N.I. 1))*

607 The Pensions (Northern Ireland) Order 2005 is amended as follows.

608 In Schedule 3 (restricted information held by the Regulator: certain permitted disclosures to facilitate exercise of functions), in the entry relating to the Commissioners of Inland Revenue or their officers, in the second column—

- (a) omit the “or” immediately after paragraph (f), and
- (b) after paragraph (g) insert “, or
- (h) the Income Tax Act 2007 (so far as relating to functions previously exercised under the Income and Corporation Taxes Act 1988).”

609 In Schedule 7 (restricted information held by the Board: certain permitted disclosures to facilitate exercise of functions), in the entry relating to the Commissioners of Inland Revenue or their officers, in the second column—

- (a) omit the “or” immediately after paragraph (e), and
- (b) after paragraph (f) insert “, or
- (g) the Income Tax Act 2007 (so far as relating to functions previously exercised under the Income and Corporation Taxes Act 1988).”

*Finance Act 2006 (c. 25)*

610 The Finance Act 2006 is amended as follows.

611 In section 34 (meaning of certain expressions for the purposes of Chapter 3 of Part 3) for subsection (4) substitute—

“(4) For the purposes of subsection (3) whether a person is connected with another person is determined in accordance with section 839 of ICTA (connected persons).”

612 In section 65(3) (London Organising Committee) for “Section 349(1) of ICTA (annual payments: deductions of tax)” substitute “ The duties to deduct under Chapters 6, 7, 10 and 14 of Part 15 of ITA 2007 (deduction of income tax at source) ”.

613 In section 67 (International Olympic Committee)—

- (a) in subsection (1)(c), for “section 349(1) and (2) of ICTA (annual payments: deductions of tax)” substitute “ the duties to deduct under Chapters 3, 6, 7, 10 and 14 of Part 15 of ITA 2007 (deduction of income tax at source) ”, and

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- (b) in subsection (2)(c), for “section 349(1) and (2) of ICTA” substitute “ the duties to deduct under Chapters 3, 6, 7, 10 and 14 of Part 15 of ITA 2007 (deduction of income tax at source) ”.
- 614 In section 68(1)(d) (competitors and staff) for “section 349(1) of ICTA (annual payments: deductions of tax)” substitute “ the duties to deduct under Chapters 6, 7, 10 and 14 of Part 15 of ITA 2007 (deduction of income tax at source) ”.
- 615 Omit section 75 (tax avoidance: interest relief and film partnerships).
- 616 In section 103(1)(b) (Real Estate Investment Trusts) for “, 121 and 122” substitute “ and 121 and regulations made under section 973 of ITA 2007 ”.
- F14 617 .....

#### Textual Amendments

**F14** Sch. 1 para. 617 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(17\)](#)

- 618 In section 117(4) (cancellation of tax advantage) for “section 709” substitute “ section 840ZA ”.
- 619 In section 121(2)(c) (distributions: liability to tax) for “chargeable to tax by virtue of section 42A of ICTA (non-resident landlords)” substitute “ non-resident landlord income for the purposes of regulations under section 971 of ITA 2007 (income tax due in respect of income of non-resident landlords) ”.
- 620 Omit section 122 (distributions: deduction of tax).
- 621 (1) Amend section 139 (manufactured dividends) as follows.
- (2) In subsection (1) after “manufactured dividend” insert “ for the purposes of the Corporation Tax Acts ”.
- (3) In subsection (2)—
- (a) in the new paragraph 2(2) of Schedule 23A to ICTA for “(2A) to (2C)” substitute “ (2A) and (2B) ”,
- (b) in the new paragraph 2(2A) of that Schedule insert “ Corporation ” before “Tax Acts”,
- (c) in the new paragraph 2(2B) of that Schedule omit paragraph (d),
- (d) omit the new sub-paragraphs (2C) to (2E) of paragraph 2 of that Schedule.
- (4) Omit subsections (3) and (4).
- 622 In section 179 (interpretation) after the definition of “HTA 1984” insert—
- ““ITA 2007” means the Income Tax Act 2007;”.
- 623 In Schedule 5 (film tax relief: further provisions) in paragraph 9(4)(b) for “555 of ICTA (foreign entertainers)” substitute “ 966 of ITA 2007 (visiting performers) ”.
- 624 In paragraph 27(1) of Schedule 8 (long funding leases of plant and machinery) for “section 840 of ICTA” in both places where it occurs substitute “ section 574 of CAA 2001 ”.
- 625 In Schedule 13 (settlements) omit paragraph 37.
- 626 (1) Amend Schedule 17 (Group Real Estate Investment Trusts: modifications) as follows.

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- (2) Omit paragraph 19.
- (3) Omit paragraph 30(b) and the “and” immediately before it.
- (4) Omit paragraph 32(8)(c).

### **PART 3**

AMENDMENT HAVING EFFECT IN RELATION TO SHARES ISSUED AFTER 5 APRIL 2007

#### *Income and Corporation Taxes Act 1988 (c. 1)*

- 627 Omit Chapter 3 of Part 7 of the Income and Corporation Taxes Act 1988 (Enterprise Investment Scheme), except section 305A.

**Status:**

Point in time view as at 03/01/2008.

**Changes to legislation:**

Income Tax Act 2007, SCHEDULE 1 is up to date with all changes known to be in force on or before 22 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.