



# Finance Act 2000

## 2000 CHAPTER 17

### PART III

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER II

#### OTHER PROVISIONS

#### *Miscellaneous*

#### **110 Rent factoring**

- (1) At the end of Part II of the Taxes Act 1988 (provisions relating to the Schedule A charge) insert—

*“Rent factoring*

#### **43A Finance agreement: interpretation**

- (1) A transaction is a finance agreement for the purposes of sections 43B to 43F if in accordance with normal accounting practice the accounts of a company which receives money under the transaction would record a financial obligation (whether in respect of a lease creditor or otherwise) in relation to that receipt.
- (2) In subsection (1) “normal accounting practice” in relation to a company means normal accounting practice for a company incorporated in a part of the United Kingdom (irrespective of where the company is in fact incorporated).
- (3) The reference to a company’s accounts in subsection (1) shall be taken to include a reference to the consolidated group accounts of a group of companies of which it is a member; and—

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- (a) “group of companies” means a set of companies which, if each were incorporated in Great Britain, would form a group within the meaning given by section 262(1) of the Companies Act 1985, and
  - (b) “consolidated group accounts” means accounts of a kind which would satisfy the requirements of section 227 of the Companies Act 1985.
- (4) For the purposes of subsection (1) a company shall be treated as receiving any money which—
- (a) falls to be taken into account as a receipt for the purpose of calculating the company’s liability to corporation tax, or
  - (b) would fall to be taken into account as a receipt for that purpose if the company were resident in the United Kingdom.

### **43B Transfer of rent**

- (1) This section applies to a finance agreement if it transfers a right to receive rent in respect of land in the United Kingdom from one person to another, otherwise than by means of the grant of a lease of land in the United Kingdom.
- (2) A person who receives a finance amount shall be treated for the purposes of the Tax Acts as receiving it—
- (a) by way of rent,
  - (b) in the course of a business falling within paragraph 1(1) of Schedule A, and
  - (c) in the chargeable period in which the agreement is made;
- and the finance amount shall be taken into account in computing the profits of the Schedule A business for the chargeable period in which the agreement is made.
- (3) In subsection (2) “finance amount” means a receipt in respect of which section 43A(1) is satisfied.

### **43C Transfer of rent: exceptions, &c**

- (1) Section 43B shall not apply to a finance agreement if the term over which the financial obligation is to be reduced exceeds 15 years.
- (2) Section 43B shall not apply to a finance agreement if—
- (a) the arrangements for the reduction of the financial obligation substantially depend on a person’s entitlement to an allowance under the Capital Allowances Acts, and
  - (b) that person is not connected to the person from whom the right to receive rent is transferred.
- (3) Section 43B shall not apply to a finance agreement if—
- (a) section 36(1) applies (without reference to section 36(3)), or
  - (b) section 36(1) would apply (without reference to section 36(3)) if the price at which an estate or interest is sold were to exceed the price at which it is to be reconveyed.
- (4) If—

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- (a) section 36(1) would apply in relation to a finance agreement by virtue only of section 36(3), and
  - (b) section 43B applies in relation to the agreement, section 36(1) shall not apply.
- (5) Section 43B shall not apply to a finance agreement if section 780 applies.
- (6) Section 43B(2) shall not apply to a finance amount which is brought into account in computing the profits of a trade for the purposes of Case I of Schedule D (otherwise than by virtue of section 83 of the Finance Act 1989 (life assurance)).

#### **43D Interposed lease**

- (1) This section applies to a finance agreement under which—
- (a) a lease is granted in respect of land in the United Kingdom,
  - (b) a premium is payable in respect of the lease, and
  - (c) section 43A(1) is satisfied by reference to the receipt of the premium.
- (2) Where this section applies, the person to whom the premium is payable shall be treated for the purposes of the Tax Acts as receiving it—
- (a) by way of rent,
  - (b) in the course of a business falling within paragraph 1(1) of Schedule A, and
  - (c) in the chargeable period in which the agreement is made;
- and the premium shall be taken into account in computing the profits of the Schedule A business for the chargeable period in which the agreement is made.

#### **43E Interposed lease: exceptions, &c**

- (1) Section 43D shall not apply to a finance agreement if—
- (a) the term over which the financial obligation is to be reduced exceeds 15 years, or
  - (b) the length of the lease does not exceed 15 years, or
  - (c) the length of the lease is not significantly different from the term over which the financial obligation is to be reduced.
- (2) For the purpose of subsection (1) the length of a lease shall be calculated in accordance with section 38.
- (3) Section 43D shall not apply to a finance agreement if—
- (a) the arrangements for the reduction of the financial obligation substantially depend on a person's entitlement to an allowance under the Capital Allowances Acts, and
  - (b) that person is not connected to the person who grants the lease in respect of which the premium is payable.
- (4) Section 43D(2) shall not apply where all or part of the premium is brought into account in computing the profits of a trade for the purposes of Case I of Schedule D (otherwise than by virtue of section 83 of the Finance Act 1989 (life assurance)).

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- (5) Section 34 shall not apply in relation to a premium to which section 43D(2) applies.

#### **43F Insurance business**

- (1) In the application of sections 43A to 43E to companies carrying on insurance business a reference to accounts does not include a reference to accounts required to be prepared under Part II of the Insurance Companies Act 1982.
- (2) Neither section 43B(2) nor section 43D(2) shall require any amount to be brought into account in a computation of profits of life assurance business, or any category of life assurance business, carried on by a company where the computation is made in accordance with the provisions of this Act applicable to Case I of Schedule D.
- (3) Section 432A shall have effect in relation to any sum which is or would be treated as received by virtue of section 43B(2) or 43D(2) of this Act.
- (4) Expressions used in this section and in Chapter I of Part XII have the same meaning in this section as in that Chapter.

#### **43G Interpretation**

- (1) This section applies for the purposes of sections 43A to 43F.
- (2) In those sections—
- “connected” in relation to persons has the meaning given by section 839,
- “rent” includes any sum which is chargeable to tax under Schedule A,
- “lease” includes an underlease, sublease, tenancy or licence and an agreement for any of those things, but does not include a mortgage or heritable security,
- “premium” has the meaning given by section 24(1) (and, in relation to Scotland, section 24(5)), and subsections (4) and (5) of section 34 shall have effect in relation to sections 43A to 43F as they have effect in relation to section 34, and
- “sum” has the meaning given by section 24(4).
- (3) A reference to a transfer of a right to receive rent from one person to another includes a reference to any arrangement under which rent ceases to form part of the receipts taken into account for the purposes of calculating a company’s liability to corporation tax or income tax.
- (4) In calculating the term over which a financial obligation is to be reduced no account shall be taken of any period during which the arrangements for reduction differ from the arrangements which apply in a previous period if—
- (a) the period begins after the financial obligation has been substantially reduced, and
  - (b) the different arrangements for reduction are not the result of a provision for periodic review, on commercial terms, of rent under a lease.”.

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- (2) The provisions inserted by subsection (1) have effect in relation to transactions entered into on or after 21st March 2000.

## **111 Payments under deduction of tax**

- (1) Chapter VIIA of Part IV of the Taxes Act 1988 (paying and collecting agents) shall cease to have effect.

- (2) In section 349 of the Taxes Act 1988 (payments under deduction of tax)—
- (a) in subsections (3)(c) and (3B) (payments excepted from deduction of tax), for “payment to which section 124 applies” substitute “payment of interest on a quoted Eurobond”; and
- (b) in subsection (4), after the definition of “qualifying deposit right” insert—

““quoted Eurobond” means any security that—

- (i) is issued by a company,  
(ii) is listed on a recognised stock exchange, and  
(iii) carries a right to interest;”;

and accordingly section 124 of that Act (interest on quoted Eurobonds) shall cease to have effect.

- (3) In section 482 of the Taxes Act 1988 (supplementary provisions with respect to deposit-takers etc)—

- (a) after subsection (2) insert—

“(2A) A declaration under section 481(5)(k)(i) must contain—

- (a) in a case falling within section 481(4)(a), the name and principal residential address of the individual who is beneficially entitled to the interest or, where two or more individuals are so entitled, of each of them;  
(b) in a case falling within section 481(4)(b), the name and principal residential address of each of the partners.”; and

- (b) subsection (11)(a) shall cease to have effect.

- (4) In section 477A of the Taxes Act 1988 (building societies: regulations for deduction of tax), after subsection (2) insert—

“(2A) Without prejudice to the generality of subsection (2)(a) above, regulations under subsection (1) above may make provision with respect to the furnishing of information to or by building societies corresponding to any provision that is made by, or may be made under, section 482 with respect to the furnishing of information to or by deposit-takers.”.

- (5) In section 37(11) of the Finance (No.2) Act 1997 (interest to be paid gross), for “Sections 50 and 118D(4)” substitute “Section 50”.

- (6) In this section—

- (a) subsections (1) and (5) apply to relevant payments or receipts in relation to which the chargeable date for the purposes of Chapter VIIA of Part IV is on or after 1st April 2001;  
(b) subsection (2) applies in relation to payments of interest made on or after that date;

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- (c) subsection (3) applies in relation to declarations under section 481(5)(k)(i) of the Taxes Act 1988 made on or after 6th April 2001.

## **112 UK public revenue dividends: deduction of tax**

- (1) In subsection (A1) of section 50 of the Taxes Act 1988 (Treasury directions for payment of public revenue dividends without deduction of tax), for “registered gilt-edged securities” substitute “gilt-edged securities”.
- (2) After subsection (3B) of section 349 of that Act (payments not out of profits or gains brought into charge to income tax, and annual interest) insert—
- “(3C) Subject to any provision to the contrary in the Income Tax Acts, where any UK public revenue dividend is paid, the person by or through whom the payment is made shall, on making the payment, deduct out of it a sum representing the amount of income tax on it for the year in which the payment is made.”.
- (3) At the end of subsection (4) of that section insert—
- ““UK public revenue dividend” means any income from securities which is paid out of the public revenue of the United Kingdom or Northern Ireland, but does not include interest on local authority stock.”.
- (4) After section 350 of that Act insert—

### **“350A UK public revenue dividends: deduction of tax**

- (1) The Board may by regulations—
- (a) make provision as to the time and manner in which persons who under section 349(3C) deduct sums representing income tax out of payments of UK public revenue dividends are to account for and pay those sums; and
  - (b) otherwise modify the provisions of sections 349 and 350 in their application to such dividends;
- and in this section “UK public revenue dividend” has the same meaning as in section 349.
- (2) Regulations under this section may—
- (a) make different provision for different descriptions of UK public revenue dividend and for different circumstances;
  - (b) make special provision for UK public revenue dividends which—
    - (i) are payable to the Bank of Ireland out of the public revenue of the United Kingdom, or
    - (ii) are entrusted to the Bank of Ireland for payment and distribution and are not payable by that Bank out of its principal office in Belfast;
  - (c) include such transitional and other supplementary provisions as appear to the Board to be necessary or expedient.
- (3) No regulations under this section shall be made unless a draft of them has been laid before and approved by a resolution of the House of Commons.”.
- (5) This section applies to payments made on or after 1st April 2001.

### **113 Tax treatment of expenditure on production or acquisition of films**

- (1) In section 68 of the of the Capital Allowances Act 1990 (expenditure relating to films, tapes and discs), for subsection (1) substitute—

“(1) Expenditure incurred on the production or acquisition of a film, tape or disc shall be regarded for the purposes of the Tax Acts as expenditure of a revenue nature, subject to any election under subsection (9) below.”.

- (2) For subsection (2) of that section substitute—

“(2) In this section any reference to a film, tape or disc is to the master negative, master tape or master audio disc of a film as defined in section 43 of the Finance (No.2) Act 1992.

Any such reference includes a reference to any rights in the film (or its soundtrack) that are held or acquired with the master negative, master tape or master audio disc.”.

- (3) In section 42 of the Finance (No.2) Act 1992 (relief for production or acquisition expenditure), for subsection (9) substitute—

“(9) This section has effect in relation to expenditure incurred—

- (a) on the production of a film completed on or after 10th March 1992, or
- (b) on the acquisition of the master negative, master tape or master disc of a film completed on or after that date.”.

- (4) In section 43 of that Act (interpretation)—

- (a) in subsection (2)(b) (treatment of acquisition of rights in film), for “any description of rights in it” substitute “any rights in the film (or its soundtrack) that are held or acquired with the master negative, master tape or master audio disc”; and
- (b) in subsection (3), omit paragraph (b) and the word “or” preceding it.

- (5) This section applies to expenditure on the production of a film—

- (a) if the first day of principal photography is on or after 21st March 2000, or
- (b) if the first day of principal photography is before that date but—
  - (i) the film is completed on or after that date, and
  - (ii) the person incurring the expenditure elects that the provisions of this section should apply.

For this purpose a film is completed at the time when it is first in a form in which it can reasonably be regarded as ready for copies of it to be made and distributed for presentation to the general public.

Any election under paragraph (b)(ii) above, once made, is irrevocable.

- (6) This section applies to expenditure incurred on the acquisition of a master negative, master tape or master audio disc of a film (as defined in section 43 of the Finance (No.2) Act 1992) on or after 6th April 2000.