



# Finance Act 2007

## 2007 CHAPTER 11

### PART 2

#### ENVIRONMENT

##### *Energy-saving: houses*

#### 17 Corporation tax deduction for expenditure on energy-saving items

(1) In ICTA, after section 31 insert—

##### **“31ZA Deduction for expenditure on energy-saving items**

- (1) This section applies if—
- (a) a company carries on a Schedule A business in relation to land which consists of or includes a dwelling-house,
  - (b) the company incurs expenditure in acquiring and installing an energy-saving item in the dwelling-house or in a building containing the dwelling-house (see subsections (5) to (7)),
  - (c) the expenditure is incurred before 1st April 2015,
  - (d) a deduction for the expenditure is not prohibited by the wholly and exclusively rule but would otherwise be prohibited by the capital prohibition rule (see subsection (8)), and
  - (e) no allowance under the Capital Allowances Act may be claimed in respect of the expenditure.
- (2) In calculating the profits of the Schedule A business, a deduction for the expenditure is allowed.
- (3) But any deduction is subject to—
- (a) section 31ZB (restrictions on the relief), and
  - (b) any provision made by regulations under section 31ZC.

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*Status: This is the original version (as it was originally enacted).*

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- (4) If, on a just and reasonable apportionment of any expenditure, part of the expenditure would qualify for the relief (but the remainder would not), a deduction is allowed for that part.
- (5) “Energy-saving item” means an item of an energy-saving nature of such description as is for the time being specified in regulations made by the Treasury.
- (6) The Treasury may by regulations provide for an item to be an energy-saving item only if it satisfies such conditions as may be—
  - (a) specified in, or
  - (b) determined in accordance with, the regulations.
- (7) The conditions may include conditions imposed by reference to information or documents issued by any body, person or organisation.
- (8) In this section—
  - “the capital prohibition rule” means the rule in section 74(1)(f) or (g) (capital expenditure), as applied by section 21A, and
  - “the wholly and exclusively rule” means the rule in section 74(1)(a) or (e) (expenses not wholly and exclusively for trade and unconnected losses), as applied by section 21A.

### **31ZB Restrictions on relief**

- (1) This section restricts deductions that would otherwise be allowable under section 31ZA.
- (2) No deduction is allowed if, when the energy-saving item is installed, the dwelling-house—
  - (a) is in the course of construction, or
  - (b) is comprised in land in which the company does not have an interest or is in the course of acquiring an interest or further interest.
- (3) No deduction is allowed in respect of expenditure in an accounting period if—
  - (a) the Schedule A business consists of or includes the commercial letting of furnished holiday accommodation for the purposes of section 503, and
  - (b) the dwelling-house constitutes some or all of that accommodation for the accounting period.
- (4) No deduction is allowed in respect of expenditure treated by section 401 (as applied by section 21B) as incurred on the date on which the company starts to carry on the Schedule A business unless the expenditure was incurred not more than 6 months before that date.
- (5) No deduction is allowed in respect of expenditure incurred in acquiring and installing the energy-saving item in a building containing the dwelling-house in so far as the expenditure is not for the benefit of the dwelling-house.

### **31ZC Regulations**

- (1) In relation to any deduction under section 31ZA, the Treasury may make regulations for—
  - (a) restricting or reducing the amount of expenditure for which the deduction is allowable,
  - (b) excluding entitlement to the deduction in such cases as may be specified in, or determined in accordance with, the regulations,
  - (c) determining who is (and is not) entitled to the deduction if different persons have different interests in land that consists of or includes the whole or part of a building containing one or more dwelling-houses,
  - (d) making apportionments if the Schedule A business is carried on by persons in partnership or an interest in land is beneficially owned by persons jointly or in common.
- (2) The apportionments that may be made include apportionments to persons within the charge to income tax.
- (3) Regulations under this section may—
  - (a) make different provision for different cases, and
  - (b) contain incidental, supplemental, consequential and transitional provision and savings (including provision as to appeals in relation to apportionments mentioned in subsection (1)(d)).”
- (2) The amendment made by subsection (1) has effect in relation to expenditure incurred on or after such day as the Treasury may by order appoint.

## **18 Extension of income tax deduction for expenditure on energy-saving items**

- (1) Section 312 of ITTOIA 2005 (deduction for expenditure on energy-saving items) is amended as follows.
- (2) In subsection (1)(b) (expenditure incurred in acquiring and installing energy-saving item in dwelling-house), for “in the dwelling-house an energy-saving item” substitute “an energy-saving item in the dwelling-house or in a building containing the dwelling-house”.
- (3) In subsection (1)(c) (expenditure incurred before 6th April 2009), for “2009” substitute “2015”.
- (4) In section 313 of that Act (restrictions on relief), insert at the end—
  - “(6) No deduction is allowed in respect of expenditure incurred in acquiring and installing the energy-saving item in a building containing the dwelling-house in so far as the expenditure is not for the benefit of the dwelling-house.”
- (5) In section 314 of that Act (regulations), insert at the end—
  - “(3) Regulations under this section may—
    - (a) make different provision for different cases, and
    - (b) contain incidental, supplemental, consequential and transitional provision and savings (including provision as to appeals in relation to apportionments mentioned in subsection (1)(d)).”

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- (6) The amendments made by subsections (2) and (4) have effect in relation to expenditure incurred on or after 6th April 2007.
- (7) The amendment made by subsection (5) is deemed always to have had effect.
- (8) Regulations under section 314 of ITTOIA 2005 made on or after the day on which this Act is passed but before 31st December 2007 may include provision having effect in relation to expenditure incurred on or after 6th April 2007.

## **19 SDLT relief for new zero-carbon homes**

- (1) In FA 2003, after section 58A insert—

### **“58B Relief for new zero-carbon homes**

- (1) The Treasury may make regulations granting relief on the first acquisition of a dwelling which is a “zero-carbon home”.
- (2) In subsection (1) “first acquisition of a dwelling” means the acquisition of a building which—
  - (a) has been constructed for use as a single dwelling, and
  - (b) has not previously been occupied.
- (3) For the purpose of subsection (2) land occupied or enjoyed with a dwelling as a garden or grounds is part of the dwelling.
- (4) The regulations shall define “zero-carbon home” by reference to specified aspects of the energy efficiency of a building; for which purpose “energy efficiency” includes—
  - (a) consumption of energy,
  - (b) conservation of energy, and
  - (c) generation of energy.
- (5) The relief may take the form of—
  - (a) exemption from charge, or
  - (b) a reduction in the amount of tax chargeable.
- (6) Regulations under this section shall not have effect in relation to acquisitions on or after 1st October 2012.
- (7) The Treasury may by order—
  - (a) substitute a later date for the date in subsection (6);
  - (b) make transitional provision, or provide savings, in connection with the effect of subsection (6).

### **58C Relief for new zero-carbon homes: supplemental**

- (1) Regulations under section 58B—
  - (a) shall include provision about the method of claiming relief (including documents or information to be provided), and
  - (b) in particular, shall include provision about the evidence to be adduced to show that a building satisfies the definition of “zero-carbon home”.

- (2) Regulations made by virtue of subsection (1)(b) may, in particular—
    - (a) refer to a scheme or process established by or for the purposes of an enactment about building;
    - (b) establish or provide for the establishment of a scheme or process of certification;
    - (c) specify, or provide for the approval of, one or more schemes or processes for certifying energy efficiency.
  - (3) In defining “zero-carbon home” regulations under section 58B may include requirements which may be satisfied in relation to a building either—
    - (a) by features of the building itself, or
    - (b) by other installations or utilities.
  - (4) Regulations under section 58B may modify the effect of section 108, or another provision of this Part about linked transactions, in relation to a set of transactions of which at least one is the first acquisition of a dwelling which is a zero-carbon home.
  - (5) In determining whether section 116(7) applies, and in the application of section 116(7), a transaction shall be disregarded if or in so far as it involves the first acquisition of a dwelling which is a zero-carbon home.
  - (6) Regulations under section 58B—
    - (a) may provide for relief to be wholly or partly withdrawn if a dwelling ceases to be a zero-carbon home, and
    - (b) may provide for the reduction or withholding of relief where a person acquires more than one zero-carbon home within a specified period.
  - (7) Regulations under section 58B may include provision for relief to be granted in respect of acquisitions occurring during a specified period before the regulations come into force.”
- (2) In section 114 of FA 2003 (stamp duty land tax: orders and regulations), insert at the end—
- “(5) The first set of regulations under section 58B (new zero-carbon homes) may not be made unless a draft has been laid before and approved by resolution of the House of Commons.
  - (6) An order or regulations under this Part—
    - (a) may make provision having effect generally or only in specified cases or circumstances,
    - (b) may make different provision for different cases or circumstances, and
    - (c) may include incidental, consequential or transitional provision or savings.”