Finance Act 2011

2011 CHAPTER 11

U.K.

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with finance. [19th July 2011]

Most Gracious Sovereign

WE, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and to grant unto Your Majesty the several duties hereinafter mentioned; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART 1 U.K.

CHARGES, RATES, ALLOWANCES ETC

VALID FROM 19/07/2011

Income tax

1 Charge and main rates for 2011-12 U.K.

(1) Income tax is charged for the tax year 2011-12.

(2) For that tax year—

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(a) the basic rate is 20%,
(b) the higher rate is 40%, and
(c) the additional rate is 50%.

2 Basic rate limit for 2011-12 U.K.

(1) For the tax year 2011-12 the amount specified in section 10(5) of ITA 2007 (basic rate limit) is replaced with " £35,000 ".

(2) Accordingly section 21 of that Act (indexation of limits), so far as relating to the basic rate limit, does not apply for that tax year.

3 Personal allowance for 2011-12 for those aged under 65 U.K.

(1) For the tax year 2011-12 the amount specified in section 35(1) of ITA 2007 (personal allowance for those aged under 65) is replaced with " £ 7,475 ".

(2) Accordingly section 57 of that Act (indexation of allowances), so far as relating to the amount specified in section 35(1) of that Act, does not apply for that tax year.

VALID FROM 19/07/2011

Corporation tax

4 Main rate for financial year 2011 U.K.

(1) In section 2(2)(a) of FA 2010 (main corporation tax rate for financial year 2011 on profits other than ring fence profits), for "27%" substitute " 26% ".

(2) The amendment made by this section is treated as having come into force on 1 April 2011.

5 Charge and main rate for financial year 2012 U.K.

(1) Corporation tax is charged for the financial year 2012.

(2) For that year the rate of corporation tax is—
(a) 25% on profits of companies other than ring fence profits, and
(b) 30% on ring fence profits of companies.

(3) In subsection (2) "ring fence profits" has the same meaning as in Part 8 of CTA 2010 (see section 276 of that Act).

6 Small profits rate and fractions for financial year 2011 U.K.

(1) For the financial year 2011 the small profits rate is—
(a) 20% on profits of companies other than ring fence profits, and
(b) 19% on ring fence profits of companies.

(2) For the purposes of Part 3 of CTA 2010, for that year—

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(a) the standard fraction is 3/200ths, and
(b) the ring fence fraction is 11/400ths.

(3) In subsection (1) "ring fence profits" has the same meaning as in Part 8 of that Act (see section 276 of that Act).

7 Increase in rate of supplementary charge U.K.

(1) In section 330 of CTA 2010 (supplementary charge in respect of ring fence trades), in subsection (1), for "20%" substitute " 32% ".

(2) The amendment made by subsection (1) has effect in relation to accounting periods beginning on or after 24 March 2011 (but see also subsection (3)).

(3) Subsections (4) to (10) apply where a company has an accounting period beginning before 24 March 2011 and ending on or after that date ("the straddling period").

(4) For the purpose of calculating the amount of the supplementary charge on the company for the straddling period—
(a) so much of that period as falls before 24 March 2011, and so much of that period as falls on or after that date, are treated as separate accounting periods, and
(b) the company's adjusted ring fence profits for the straddling period are apportioned to the two separate accounting periods in proportion to the number of days in those periods.

(5) But if the basis of apportionment in subsection (4)(b) would work unjustly or unreasonably in the company's case, the company may elect for its profits to be apportioned on another basis that is just and reasonable and specified in the election.

(6) The amount of the supplementary charge on the company for the straddling period is the sum of the amounts of supplementary charge that would, in accordance with subsections (4) and (5), be chargeable on the company for those separate accounting periods.

(7) In relation to the straddling period—
(a) the Instalment Payments Regulations apply as if the amendment made by subsection (1) had not been made, but
(b) those Regulations also apply separately, in accordance with subsection (8), in relation to the increase in the amount of any supplementary charge on the company for that period that arises as a result of that amendment.

(8) In the separate application of those Regulations under subsection (7)(b), those Regulations have effect as if, for the purposes of those Regulations—
(a) the straddling period were an accounting period beginning on 24 March 2011,
(b) supplementary charge were chargeable on the company for that period, and
(c) the amount of that charge were equal to the increase in the amount of the supplementary charge for the straddling period that arises as a result of the amendment made by subsection (1).

(9) Any reference in the Instalment Payment Regulations to the total liability of a company is, accordingly, to be read—

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(a) in their application as a result of subsection (7)(a), as a reference to the amount that would be the company's total liability for the straddling period if the amendment made by subsection (1) had not been made, and

(b) in their application as a result of subsection (7)(b), as a reference to the amount of the supplementary charge on the company for the deemed accounting period under subsection (8)(a).

(10) For the purposes of the Instalment Payment Regulations—

(a) a company is to be regarded as a large company as respects the deemed accounting period under subsection (8)(a) if (and only if) it is a large company for those purposes as respects the straddling period, and

(b) any question whether a company is a large company as respects the straddling period is to be determined as it would have been determined if the amendment made by subsection (1) had not been made.

(11) In this section—

"adjusted ring fence profits" has the same meaning as in section 330 of CTA 2010;

"the Instalment Payments Regulations" means the Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175);

"supplementary charge" means any sum chargeable under section 330(1) of CTA 2010 as if it were an amount of corporation tax.

VALID FROM 19/07/2011

Capital gains tax

8 Annual exempt amount U.K.

(1) Section 3 of TCGA 1992 (annual exempt amount) is amended as follows.

(2) For subsection (2) substitute—

"(2) The exempt amount for a tax year is £10,600."

(3) For subsections (3) and (4) substitute—

"(3) If there is a relevant increase in RPI in relation to a tax year—

(a) the exempt amount is to be increased in accordance with Steps 1 and 2, and

(b) subsection (2) has effect from then on (for that and subsequent tax years) as if it referred to the increased amount,

unless Parliament otherwise determines.

(3A) There is a relevant increase in RPI in relation to a tax year if the retail prices index for the September before the start of the tax year is higher than it was for the previous September.

(3B) Steps 1 and 2 are—

Step 1 Increase the exempt amount for the previous tax year by the same percentage as the percentage of the relevant increase in RPI.

Step 2 If the result of Step 1 is not a multiple of £100, round it up to the nearest multiple of £100.

(4) If there is a relevant increase in RPI in relation to a tax year, the Treasury must before the start of that tax year make an order showing the amount arrived at as a result of Steps 1 and 2."

(4) The amendment made by subsection (2) has effect for the tax year 2011-12 and subsequent tax years.

(5) For the tax year 2011-12, section 3(3) of TCGA 1992 (indexation) does not apply.

(6) The amendment made by subsection (3) has effect for the tax year 2012-13 and subsequent tax years.

9 Entrepreneurs' relief U.K.

(1) In section 169N of TCGA 1992 (amount of relief: general)—

(a) in subsection (4) for "£5 million" substitute " £10 million ", and

(b) in subsection (4A) for "£5 million" substitute " £10 million ".

(2) The amendments made by this section have effect in relation to qualifying business disposals occurring on or after 6 April 2011.

VALID FROM 19/07/2011

Capital allowances

10 Plant and machinery writing-down allowances U.K.

(1) Part 2 of CAA 2001 (plant and machinery allowances) is amended as follows.

(2) In section 56 (amount of allowances and charges), in subsection (1) for "20%" substitute " 18% ".

(3) In section 104D (writing-down allowances: special rate expenditure)—

(a) in subsection (1) for "10%" substitute " 8% ", and

(b) after that subsection insert—

"(1A) But, in relation to special rate expenditure incurred wholly for the purposes of a ring fence trade in respect of which tax is chargeable under section 330(1) of CTA 2010 (supplementary charge in respect of ring fence trades), the amount of the writing-down allowance to which a person is entitled for a chargeable period is 10% of the amount by which AQE exceeds TDR."

(4) Accordingly—

(a) in the heading for section 104D, after "**at**" insert " **8% or** ", and

(b) in sections 56(2)(a) and 104E(1)(a), before "10%" insert " 8% or ".

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(5) Part 10 of Schedule 22 to FA 2000 (companies within tonnage tax: capital allowances in respect of ship leasing), as it has effect (by virtue of section 57(9) of this Act) in relation to expenditure incurred before 1 January 2011, is amended as follows.

(6) In each of the following provisions, for "20%" (in each place) substitute " 18% "
- (a) paragraph 94(3)(a) and (4),
- (b) paragraph 95(4),
- (c) paragraph 97(2) and (3),
- (d) paragraph 98(8), and
- (e) paragraph 99(2) and (5).

(7) In each of the following provisions, for "10%" substitute " 8% "
- (a) paragraph 94(3)(b) and (4),
- (b) paragraph 95(4),
- (c) paragraph 97(2), (3) and (4),
- (d) paragraph 98(8), and
- (e) paragraph 99(2).

(8) The amendments made by this section have effect in relation to—
- (a) chargeable periods beginning on or after the relevant day, and
- (b) chargeable periods beginning before, and ending on or after, the relevant day.

(9) But in respect of a chargeable period within subsection (8)(b), they have effect as if—
- (a) in section 56(1) of CAA 2001 and the provisions of Schedule 22 to FA 2000 mentioned in subsection (6), references to 18% were references to X%, and
- (b) in section 104D(1) of CAA 2001 and the provisions of Schedule 22 to FA 2000 mentioned in subsection (7), references to 8% were references to Y%.

(10) For the purposes of subsection (9)—

$$X = \left(20 \frac{BRD}{CP}\right) + \left(18 \frac{ARD}{CP}\right)$$

$$Y = \left(10 \frac{BRD}{CP}\right) + \left(8 \frac{ARD}{CP}\right)$$

(11) Where X or Y would be a figure with more than 2 decimal places, it is to be rounded up to the nearest second decimal place.

(12) In subsection (10)—

BRD is the number of days in the chargeable period before the relevant day,

ARD is the number of days in the chargeable period on and after the relevant day, and

CP is the number of days in the chargeable period.

(13) The relevant day is—
- (a) for corporation tax purposes, 1 April 2012, and
- (b) for income tax purposes, 6 April 2012.

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11 Annual investment allowance U.K.

(1) Section 51A of CAA 2001 (entitlement to annual investment allowance) is amended as follows.

(2) In subsection (5) (maximum allowance), for "£100,000" substitute " £25,000 ".

(3) In subsection (8) (power to amend maximum allowance), for "other" substitute " greater ".

(4) The amendment made by subsection (2) has effect in relation to expenditure incurred on or after the relevant day.

(5) Subsections (6) and (7) apply in relation to a chargeable period ("the actual chargeable period") which—

- (a) begins before the relevant day, and
- (b) ends on or after that day.

(6) The maximum allowance under section 51A of CAA 2001 for the actual chargeable period is the sum of each maximum allowance that would be found if—

- (a) the period beginning with the first day of the chargeable period and ending with the day before the relevant day, and
- (b) the period beginning with the relevant day and ending with the last day of the chargeable period,

were treated as separate chargeable periods.

(7) But, so far as concerns expenditure incurred on or after the relevant day, the maximum allowance under section 51A of CAA 2001 for the actual chargeable period is the maximum allowance, calculated in accordance with subsection (6), for the period mentioned in paragraph (b) of that subsection.

(8) Subsections (6) and (7) are also to apply for the purpose of determining the maximum allowance under section 51K of CAA 2001 (operation of annual investment allowance where restrictions apply) in a case where one or more chargeable periods in which the relevant AIA qualifying expenditure is incurred are chargeable periods within subsection (5), but the modifications in subsections (9) to (11) are to apply.

(9) There is to be taken into account for the purpose mentioned in subsection (8) only chargeable periods of one year or less (whether or not they are chargeable periods within subsection (5)), and if there is more than one such period, only that period which gives rise to the greatest maximum allowance.

(10) For the purposes of subsection (9) any chargeable period—

- (a) which is longer than a year, and
- (b) which ends in the tax year 2012-13,

is to be treated as being a chargeable period of one year ending at the same time as it actually ends.

(11) The limit in section 51K(6) of CAA 2001 in relation to a chargeable period ("the chargeable period concerned") is to be treated as reduced (but not below nil) by the amount of the annual investment allowance allocated to relevant AIA qualifying expenditure incurred in any other chargeable period which ends on or after the last day of the chargeable period concerned.

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(12) Nothing in subsections (8) to (11) affects the operation of sections 51M and 51N of that Act.

(13) In this section "the relevant day" means—
(a) for corporation tax purposes, 1 April 2012, and
(b) for income tax purposes, 6 April 2012.

12 Short-life assets U.K.

(1) Part 2 of CAA 2001 (plant and machinery allowances) is amended as follows.

(2) In section 86 (short-life asset pool)—
(a) in subsection (2), for "four-year" (in each place) substitute " relevant ",
(b) for subsection (3) substitute—

"(3) In this Chapter "the relevant cut-off" means—
(a) if any of the qualifying expenditure incurred on the provision of the short-life asset was incurred before the designated day, the fourth anniversary of the end of the relevant chargeable period, and
(b) in any other case, the eighth anniversary of the end of the relevant chargeable period.

(3A) In subsection (3)—
"the designated day" means—
(a) for corporation tax purposes, 1 April 2011, and
(b) for income tax purposes, 6 April 2011;
"the relevant chargeable period" means—
(a) the chargeable period in which the qualifying expenditure was incurred on the provision of the short-life asset, or
(b) if the qualifying expenditure was incurred in different chargeable periods, the first chargeable period in which any of the qualifying expenditure was incurred.", and

(c) in subsection (4), for "four-year" substitute " relevant ".

(3) In section 65 (the final chargeable period), in subsection (3), for "four-year" substitute " relevant ".

(4) In section 87 (short-life assets provided for leasing), in subsection (1)—
(a) in paragraph (b), for "four-year" substitute " relevant ", and
(b) in paragraph (c), for "4 years" substitute " 8 years ".

(5) In section 89 (disposal to connected person), in subsections (1) and (5), for "four-year" (in each place) substitute " relevant ".

(6) In Schedule 1 (defined expressions)—
(a) at the appropriate place insert—

"relevant cut-off (in Chapter 9 of Part 2)	section 86(3)", and

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(b) omit the entry for "four-year cut-off (in Chapter 9 of Part 2)".

VALID FROM 19/07/2011

Alcohol duties

13 Rates of alcoholic liquor duties U.K.

(1) ALDA 1979 is amended as follows.

(2) In section 5 (rate of duty on spirits), for "£23.80" substitute " £25.52 ".

(3) In section 36(1AA)(a) (standard rate of duty on beer), for "£17.32" substitute " £18.57 ".

(4) In section 62(1A) (rates of duty on cider)—

(a) in paragraph (a) (rate of duty per hectolitre in the case of sparkling cider of a strength exceeding 5.5 per cent), for "£217.83" substitute " £233.55 ",

(b) in paragraph (b) (rate of duty per hectolitre in the case of cider of a strength exceeding 7.5 per cent which is not sparkling cider), for "£50.22" substitute " £53.84 ", and

(c) in paragraph (c) (rate of duty per hectolitre in any other case), for "£33.46" substitute " £35.87 ".

(5) For the table in Schedule 1 substitute—

"TABLE OF RATES OF DUTY ON WINE AND MADE-WIN

PART 1 U.K.

WINE OR MADE-WINE OF A STRENGTH NOT EXCEEDING 22 PER CENT

Description of wine or made-wine	*Rates of duty per hectolitre £*
Wine or made-wine of a strength not exceeding 4 per cent	74.32
Wine or made-wine of a strength exceeding 4 per cent but not exceeding 5.5 per cent	102.21
Wine or made-wine of a strength exceeding 5.5 per cent but not exceeding 15 per cent and not being sparkling	241.23
Sparkling wine or sparkling made-wine of a strength exceeding 5.5 per cent but less than 8.5 per cent	233.55
Sparkling wine or sparkling made-wine of a strength of 8.5 per cent or of a strength exceeding 8.5 per cent but not exceeding 15 per cent	308.99
Wine or made-wine of a strength exceeding 15 per cent but not exceeding 22 per cent	321.61

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PART 2 U.K.

WINE OR MADE-WINE OF A STRENGTH EXCEEDING 22 PER CENT

Description of wine or made-wine	*Rates of duty per litre of alcohol in wine or made-wine £*
Wine or made-wine of a strength exceeding 22 per cent	25.52”.

(6) The amendments made by this section are treated as having come into force on 28 March 2011.

14 General beer duty: reduced rate for lower strength beer U.K.

(1) Part 3 of ALDA 1979 (beer) is amended as follows.

(2) In section 36 (general beer duty), in subsection (1AA) (rates of duty)—

(a) before paragraph (a) insert—

“(za) in the case of beer that is of a strength which exceeds 1.2 per cent but does not exceed 2.8 per cent, £9.29 per hectolitre per cent of alcohol in the beer;”,

(b) in paragraph (a), after “that” insert “ is of a strength which exceeds 2.8 per cent and ”,

(c) in paragraph (b), after “small brewery beer” insert “ that is of a strength which exceeds 2.8 per cent and is ”, and

(d) in paragraph (c), after “small brewery beer” insert “ that is of a strength which exceeds 2.8 per cent and is ”.

(3) For the italic heading immediately preceding section 36A substitute “ *Beer from small breweries* ”.

(4) In section 36D (rate of general beer duty for small brewery beer from singleton breweries)—

(a) in subsection (2), after “section” insert “ , unless the beer is within section 36(1AA)(za) (rate for lower strength beer) ”, and

(b) in the heading after “**beer**” insert “ **(other than lower strength beer)** ”.

(5) In section 36F (rate of general beer duty for small brewery beer from co-operated breweries)—

(a) in subsection (2), after “section” insert “ , unless the beer is within section 36(1AA)(za) (rate for lower strength beer) ”, and

(b) in the heading after “**beer**” insert “ **(other than lower strength beer)** ”.

(6) Immediately above section 36H (power to vary reduced rate provisions) insert as an italic heading “ *Power to vary rates* ”.

(7) The amendments made by this section come into force on 1 October 2011.

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15 New high strength beer duty U.K.

(1) Schedule 1 contains provision for and in connection with a duty of excise on high strength beer.

(2) The Commissioners for Her Majesty's Revenue and Customs are responsible for the collection and management of that duty.

VALID FROM 19/07/2011

Tobacco duties

16 Rates of tobacco products duty U.K.

(1) For the table in Schedule 1 to TPDA 1979 substitute—

"TABLE

1. Cigarettes	An amount equal to 16.5 per cent of the retail price plus £154.95 per thousand cigarettes
2. Cigars	£193.29 per kilogram
3. Hand-rolling tobacco	£151.90 per kilogram
4. Other smoking tobacco and chewing tobacco	£84.98 per kilogram".

(2) The amendment made by this section is treated as having come into force at 6 pm on 23 March 2011.

VALID FROM 19/07/2011

Gambling duties

17 Rates of gaming duty U.K.

(1) In section 11(2) of FA 1997 (rates of gaming duty), for the table substitute—

"TABLE

Part of gross gaming yield	*Rate*
The first £2,067,000	15 per cent
The next £1,425,000	20 per cent
The next £2,496,000	30 per cent
The next £5,268,000	40 per cent
The remainder	50 per cent".

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(2) The amendment made by this section has effect in relation to accounting periods beginning on or after 1 April 2011.

18 Amusement machine licence duty U.K.

(1) In section 23(2) of BGDA 1981 (amount of duty payable on amusement machine licence), for the table substitute—

"TABLE

Months for which licence granted	**Category A £**	**Category B1 £**	**Category B2 £**	**Category B3 £**	**Category B4 £**	**Category C £**
1	535	270	215	215	195	85
2	1070	535	425	425	385	160
3	1605	805	635	635	575	240
4	2140	1070	845	845	765	320
5	2675	1340	1055	1055	960	400
6	3210	1605	1265	1265	1150	480
7	3745	1875	1475	1475	1340	555
8	4280	2140	1685	1685	1530	635
9	4815	2410	1895	1895	1725	715
10	5350	2675	2105	2105	1915	795
11	5885	2945	2315	2315	2105	875
12	6110	3055	2405	2405	2185	905".

(2) The amendment made by this section has effect in relation to cases where the application for the amusement machine licence is received by the Commissioners for Her Majesty's Revenue and Customs after 4 pm on 25 March 2011.

VALID FROM 19/07/2011

Fuel duties

19 Fuel duties: rates of duty and rebates from 23 March 2011 U.K.

(1) HODA 1979 is amended as follows.

(2) In section 6(1A) (main rates)—

(a) in paragraph (a) (unleaded petrol), for "£0.5895" substitute " £0.5795 ",

(b) in paragraph (aa) (aviation gasoline), for "£0.3835" substitute " £0.3770 ",

(c) in paragraph (b) (light oil other than unleaded petrol or aviation gasoline), for "£0.6867" substitute " £0.6767 ", and

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(d) in paragraph (c) (heavy oil), for "£0.5895" substitute " £0.5795 ".

(3) In section 8(3) (road fuel gas)—

(a) in paragraph (a) (natural road fuel gas), for "£0.2615" substitute " £0.2470 ", and

(b) in paragraph (b) (other road fuel gas), for "£0.3304" substitute " £0.3161 ".

(4) In section 11(1) (rebate on heavy oil)—

(a) in paragraph (a) (fuel oil), for "£0.1088" substitute " £0.1070 ", and

(b) in paragraph (b) (gas oil), for "£0.1133" substitute " £0.1114 ".

(5) In section 14(1) (rebate on light oil for use as furnace fuel), for "£0.1088" substitute " £0.1070 ".

(6) In section 14A(2) (rebate on certain biodiesel), for "£0.1133" substitute " £0.1114 ".

(7) The amendments made by this section are treated as having come into force at 6 pm on 23 March 2011.

20 Fuel duties: rates of duty and rebates from 1 January 2012 U.K.

(1) HODA 1979 is amended as follows.

(2) In section 6(1A) (main rates)—

(a) in paragraph (a) (unleaded petrol), for "£0.5795" substitute " £0.6097 ",

(b) in paragraph (aa) (aviation gasoline), for "£0.3770" substitute " £0.3966 ",

(c) in paragraph (b) (light oil other than unleaded petrol or aviation gasoline), for "£0.6767" substitute " £0.7069 ", and

(d) in paragraph (c) (heavy oil), for "£0.5795" substitute " £0.6097 ".

(3) In section 8(3) (road fuel gas)—

(a) in paragraph (a) (natural road fuel gas), for "£0.2470" substitute " £0.2907 ", and

(b) in paragraph (b) (other road fuel gas), for "£0.3161" substitute " £0.3734 ".

(4) In section 11(1) (rebate on heavy oil)—

(a) in paragraph (a) (fuel oil), for "£0.1070" substitute " £0.1126 ", and

(b) in paragraph (b) (gas oil), for "£0.1114" substitute " £0.1172 ".

(5) In section 14(1) (rebate on light oil for use as furnace fuel), for "£0.1070" substitute " £0.1126 ".

(6) In section 14A(2) (rebate on certain biodiesel), for "£0.1114" substitute " £0.1172 ".

(7) The amendments made by this section come into force on 1 January 2012.

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VALID FROM 19/07/2011

Vehicle excise duty

21 VED rates for light passenger vehicles, light goods vehicles, motorcycles etc U.K.

(1) Schedule 1 to VERA 1994 (annual rates of duty) is amended as follows.

(2) In paragraph 1 (general)—

(a) in sub-paragraph (2) (vehicle not covered elsewhere in Schedule otherwise than with engine cylinder not exceeding 1,549cc), for "£205" substitute " £215 ", and

(b) in sub-paragraph (2A) (vehicle not covered elsewhere in Schedule with engine cylinder capacity not exceeding 1,549cc), for "£125" substitute " £130 ".

(3) In paragraph 1B (graduated rates of duty for light passenger vehicles)—

(a) for the tables substitute—

"TABLE 1

RATES PAYABLE ON FIRST VEHICLE LICENCE FOR VEHICLE

CO_2 emissions figure		***Rate***	
(1)	**(2)**	***(3)***	***(4)***
Exceeding	**Not exceeding**	***Reduced rate***	***Standard rate***
g/km	**g/km**	***£***	***£***
130	140	105	115
140	150	120	130
150	165	155	165
165	175	255	265
175	185	305	315
185	200	435	445
200	225	570	580
225	255	780	790
255		990	1000

TABLE 2

RATES PAYABLE ON ANY OTHER VEHICLE LICENCE FOR VEHICLE

CO_2 emissions figure		***Rate***	
(1)	**(2)**	***(3)***	***(4)***

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Exceeding	**Not exceeding**	***Reduced rate***	***Standard rate***
g/km	**g/km**	**£**	**£**
100	110	10	20
110	120	20	30
120	130	85	95
130	140	105	115
140	150	120	130
150	165	155	165
165	175	180	190
175	185	200	210
185	200	235	245
200	225	250	260
225	255	435	445
255		450	460";

(b) in the sentence immediately following the tables, for paragraphs (a) and (b) substitute—

"(a) in column (3), in the last two rows, "250" were substituted for "435" and " 450 ", and

(b) in column (4), in the last two rows, "260" were substituted for "445" and " 460 "."

(4) In paragraph 1J (VED rates for light goods vehicles)—

(a) in paragraph (a), for "£200" substitute " £210 ", and

(b) in paragraph (b), for "£125" substitute " £130 ".

(5) In paragraph 2(1) (VED rates for motorcycles)—

(a) in paragraph (a), for "£15" substitute " £16 ",

(b) in paragraph (b), for "£33" substitute " £35 ",

(c) in paragraph (c), for "£50" substitute " £53 ", and

(d) in paragraph (d), for "£70" substitute " £74 ".

(6) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2011.

22 VED rates for certain goods vehicles without road-friendly suspension U.K.

(1) Part 8 of Schedule 1 to VERA 1994 (rates for goods vehicles) is amended as follows.

(2) In—

(a) paragraph 9(1) (rigid vehicles exceeding 3,500 kilograms revenue weight in case of which pollution requirements are not satisfied), and

(b) paragraph 9A(2) (rigid vehicles exceeding that weight in case of which pollution requirements are satisfied),

after "(3)" insert " and paragraph 11D ".

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(3) In—

(a) paragraph 11(1) (tractive units exceeding 3,500 kilograms revenue weight in case of which pollution requirements are not satisfied), and

(b) paragraph 11A(2) (tractive units exceeding that weight in case of which pollution requirements are satisfied),

for "paragraph 11C" substitute " paragraphs 11C and 11D ".

(4) In paragraph 11C(2) (tractive units between 41,000 and 44,000 kilograms revenue weight, with 3 or more axles and used for conveyance of semi-trailers with 3 or more axles and usable on public road in accordance with law immediately before 21 March 2000), for "The" substitute " Subject to paragraph 11D, the ".

(5) After paragraph 11C insert—

11D "**Certain vehicles without road-friendly suspension**

(1) This paragraph applies to goods vehicles which do not have road-friendly suspension.

(2) A goods vehicle does not have road-friendly suspension if any driving axle of the vehicle has neither—

(a) an air suspension (that is, a suspension system in which at least 75 per cent of the spring effect is caused by an air spring), nor

(b) a suspension which is regarded as being equivalent to an air suspension for the purposes under Annex II of Council Directive 96/53/EC.

(3) The annual rate of vehicle excise duty applicable to a rigid goods vehicle to which this paragraph applies and which has—

(a) a revenue weight of 15,000 kilograms, and

(b) two axles,

is £238.

(4) The annual rate of vehicle excise duty applicable to a rigid goods vehicle to which this paragraph applies and which—

(a) is a vehicle with respect to which the reduced pollution requirements are satisfied,

(b) has a revenue weight of 21,000 kilograms, and

(c) has three axles,

is £193.

(5) The annual rate of vehicle excise duty applicable to a rigid goods vehicle to which this paragraph applies and which—

(a) is a vehicle with respect to which the reduced pollution requirements are satisfied,

(b) has a revenue weight of not less than 23,000 kilograms but less than 26,000 kilograms, and

(c) has three axles,

is £299.

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(6) The annual rate of vehicle excise duty applicable to a rigid goods vehicle to which this paragraph applies and which—
(a) is a vehicle with respect to which the reduced pollution requirements are satisfied,
(b) has a revenue weight of 27,000 kilograms, and
(c) has four or more axles,
is £314.

(7) The annual rate of vehicle excise duty applicable to a tractive unit to which this paragraph applies and which has two axles and either—
(a) has a revenue weight of 25,000 kilograms, or
(b) is a vehicle with respect to which the reduced pollution requirements are satisfied and has a revenue weight exceeding 25,000 kilograms but less than 28,000 kilograms,
is £266.

(8) The annual rate of vehicle excise duty applicable to a tractive unit to which this paragraph applies and which—
(a) has a revenue weight of 28,000 kilograms,
(b) has two axles, and
(c) is to draw semi-trailers with two or more axles,
is £177.

(9) The annual rate of vehicle excise duty applicable to a tractive unit to which this paragraph applies and which—
(a) is a vehicle with respect to which the reduced pollution requirements are satisfied,
(b) has a revenue weight of 31,000 kilograms,
(c) has two axles, and
(d) is to draw semi-trailers with two or more axles,
is £403.

(10) The annual rate of vehicle excise duty applicable to a tractive unit to which this paragraph applies and which—
(a) is a vehicle with respect to which the reduced pollution requirements are satisfied,
(b) has a revenue weight of 36,000 kilograms,
(c) has three axles, and
(d) is to draw semi-trailers with two or more axles,
is £394.

(11) The annual rate of vehicle excise duty applicable to a vehicle to which paragraph 11C and this paragraph apply and which—
(a) is a vehicle with respect to which the reduced pollution requirements are satisfied, and
(b) has a revenue weight less than 44,000 kilograms,
is £464.

(12) This paragraph does not apply to a vehicle for which the annual rate of duty is determined under paragraph 9(2) or 11(2).”

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(6) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2011.

Environmental taxes

VALID FROM 19/07/2011

23 Rates of climate change levy U.K.

(1) In Schedule 6 to FA 2000 (climate change levy), for the table in paragraph 42(1) substitute—

"TABLE

Taxable commodity supplied	*Rate at which levy payable if supply is not a reduced-rate supply*
Electricity	£0.00509 per kilowatt hour
Gas supplied by a gas utility or any gas supplied in a gaseous state that is of a kind supplied by a gas utility	£0.00177 per kilowatt hour
Any petroleum gas, or other gaseous hydrocarbon, supplied in a liquid state	£0.01137 per kilogram
Any other taxable commodity	£0.01387 per kilogram".

(2) The amendment made by this section has effect in relation to supplies treated as taking place on or after 1 April 2012.

Modifications etc. (not altering text)

C1 S. 23: power to repeal conferred by Finance (No. 2) Act (c. 31), {ss. 5(1)}

24 Rate of aggregates levy U.K.

(1) Section 16 of FA 2010 (increase in rate of aggregates levy from 1 April 2011) is repealed.

(2) Accordingly, the amendment made by section 20 of FA 2008 (increase in rate of aggregates levy from 1 April 2009) continues to have effect in relation to aggregate subjected to commercial exploitation on or after 1 April 2011.

(3) This section is treated as having come into force on 31 March 2011.

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VALID FROM 19/07/2011

25 Standard rate of landfill tax U.K.

(1) In section 42(1)(a) and (2) of FA 1996 (amount of landfill tax), for "£56" substitute " £64 ".

(2) The amendments made by this section have effect in relation to disposals made (or treated as made) on or after 1 April 2012.

VALID FROM 19/07/2011

PART 2 U.K.

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Anti-avoidance provisions

26 Employment income provided through third parties U.K.

Schedule 2 contains provision about steps which are taken in pursuance of, or which have some other connection with, arrangements concerned with the provision of rewards or recognition or loans in connection with current, former or prospective employments.

27 Tainted charity donations U.K.

Schedule 3 contains provision about gifts and other disposals to charities and community amateur sports clubs.

28 Amounts not fully recognised for accounting purposes U.K.

Schedule 4 contains amendments of Parts 5 and 7 of CTA 2009 (loan relationships and derivative contracts) relating to cases where amounts are not fully recognised for accounting purposes.

29 Loan relationships involving connected debtor and creditor U.K.

[F1(1) In section 418 of CTA 2009 (loan relationships involving connected debtor and creditor where debits exceed credits), in subsection (2), after "creditor company" insert " or any company connected with it ".

(2) In section 419 of that Act (section 418: supplementary), after subsection (6) insert—

"(6A) References in section 418 to a company bringing debits or credits into account under or for the purposes of this Part include bringing debits or credits into account under or for the purposes of this Part in determining the chargeable profits of the company (or in determining that there were no such

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profits) for the purposes of Chapter 4 of Part 17 of ICTA (controlled foreign companies).”

(3) The amendments made by this section have effect in relation to loan relationships to which a company is a party (or to which it is treated as a party under section 418(6A) of CTA 2009) on or after 6 December 2010.

(4) But amounts are to continue to be brought into account for the purposes of Part 5 of CTA 2009 disregarding those amendments if the amounts relate to a time before that day.**]**

Textual Amendments

F1 S. 29 repealed (with effect in accordance with Sch. 5 para. 7(3)(4) of the repealing Act) by Finance Act 2011 (c. 11), s. 30, Sch. 5 paras. 6(1)(3), **7(2)(e)**

30 Group mismatch schemes U.K.

Schedule 5 contains provision about group mismatch schemes.

31 Company ceasing to be member of group: availability of relief U.K.

(1) Section 179 of TCGA 1992 (company ceasing to be member of group: post-appointed day cases) is amended as follows.

(2) In subsection (2A)—

(a) for “Where” substitute “ Subsection (2AA) applies where ”, and

(b) for paragraphs (c) and (d) and the words following those paragraphs substitute—

“(c) at the time company A ceases to be a member of the first group there is a connection between that group and the group of companies of which company A becomes a member on leaving the first group (“ the second group ”), and

(d) subsequently—

(i) company A ceases to be a member of the second group, or

(ii) (before sub-paragraph (i) applies) there ceases to be a connection between the two groups.”

(3) After that subsection insert—

“(2AA) Where this subsection applies—

(a) in a case within subsection (2A)(d)(ii), for the purposes of this section (other than subsection (2A)) as it applies as respects the acquisition, company A and any associated company are to be treated as having ceased to be members of the second group at the time the connection between the two groups ceases,

(b) subsection (1) has effect in relation to company A's ceasing to be a member of the second group as if it had been the second group of which both companies had been members at the time of the acquisition, and

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(c) subsection (2) may operate to prevent subsection (1) applying by virtue of paragraph (b), unless subsection (2AB) applies.

(2AB) This subsection applies if company A's ceasing to be a member of the first group at the same time as one or more associated companies forms part of arrangements the main purpose, or one of the main purposes, of which is the avoidance of a liability to corporation tax."

(4) In subsection (2B) for "if, at the time when company A ceases to be a member of the second group" substitute " at a particular time if, at that time, ".

(5) The amendments made by this section have effect in relation to a company in any case in which the time of the company's ceasing to be a member of the first group is on or after 23 March 2011.

32 Leasing businesses U.K.

Schedule 6 contains provision about leasing businesses carried on by companies alone or in partnership.

33 Long funding finance leases U.K.

(1) Chapter 6 of Part 2 of CAA 2001 (which includes provision about lessees under long funding leases) is amended as follows.

(2) In section 70C (long funding finance lease: amount of capital expenditure), after subsection (4) insert—

"(4A) But where the minimum lease payments include a relievable amount, the present value of that amount must be excluded in determining the commencement PVMLP.

(4B) An amount ("amount X") is a relievable amount if—

(a) an arrangement is in place under which all or part of any residual amount (as defined in section 70YE) is guaranteed by the lessee or a person connected with the lessee,

(b) amount X is within the minimum lease payments because of that arrangement (see subsection (1)(a) of that section), and

(c) it is reasonable to assume that, were amount X to be incurred under the arrangement, relief would be available as a result (beyond relief, by virtue of this section and section 70E, because amount X is within those minimum lease payments).

(4C) In deciding for the purposes of subsection (4B)(c) whether relief would be available as a result, no account is to be taken of—

(a) any part of the arrangement other than the part by virtue of which all or part of the residual amount is guaranteed, or

(b) any other arrangement connected with the arrangement or forming part of a set of arrangements that includes the arrangement."

(3) In section 70D (long funding finance lease: additional expenditure: allowances for lessee), after subsection (1) insert—

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"(1A) Any increase attributable to a relievable amount is to be ignored for the purposes of subsection (1)(d).

(1B) Subsections (4B) and (4C) of section 70C apply (with any necessary modifications) for the purposes of this section as for the purposes of that section."

(4) In section 70E (disposal events and disposal values), in subsection (2C)(b), after "section 70YE)" insert " other than any relievable payment ".

(5) In that section, after subsection (2D) insert—

"(2DA) A payment ("payment X") is a relievable payment if—
(a) an arrangement is in place under which all or part of any residual amount (as defined in section 70YE) is guaranteed by the lessee or a person connected with the lessee,
(b) payment X is within the minimum lease payments because of that arrangement (see subsection (1)(a) of that section), and
(c) it is reasonable to assume that relief would be available as a result of making payment X (beyond relief, by virtue of section 70C or 70D and this section, because payment X is within those minimum lease payments).

(2DB) For the purposes of subsection (2DA)(c)—
(a) "relief" has the meaning given in section 70C, and
(b) subsection (4C) of that section applies as it applies for the purposes of subsection (4B)(c) of that section."

(6) The amendments made by subsections (2) and (3) have effect in cases where the arrangement is entered into on or after 9 March 2011.

(7) The amendments made by subsections (4) and (5) have effect in relation to payments made on or after 9 March 2011 (regardless of when the arrangement was entered into).

34 Investment companies U.K.

Schedule 7 contains provision about investment companies.

Exemptions and reliefs

35 Reduction in childcare relief for higher earners U.K.

Schedule 8 contains provision for reducing childcare relief for higher earners.

36 Childcare: salary sacrifice etc and the national minimum wage U.K.

(1) In section 270A of ITEPA 2003 (limited exemption for qualifying childcare vouchers), after subsection (5) insert—

"(5A) Where the scheme under which the vouchers are provided involves—
(a) relevant salary sacrifice arrangements, or
(b) relevant flexible remuneration arrangements,

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Condition C is not prevented from being met by reason only that the scheme is not open to relevant low-paid employees.

(5B) In subsection (5A)—

"relevant salary sacrifice arrangements" means arrangements (whenever made) under which the employees for whom the vouchers are provided give up the right to receive an amount of general earnings or specific employment income in return for the provision of the vouchers;

"relevant flexible remuneration arrangements" means arrangements (whenever made) under which the employees for whom the vouchers are provided agree with the employer that they are to be provided with the vouchers rather than receive some other description of employment income;

"relevant low-paid employees" means any of the employer's employees who are remunerated by the employer at a rate such that, if the relevant salary sacrifice arrangements or relevant flexible remuneration arrangements applied to them, the rate at which they would then be so remunerated would be likely to be lower than the national minimum wage."

(2) In section 318A of that Act (exemption for childcare other than employer-provided care), after subsection (5) insert—

"(5A) Where the scheme under which the care is provided involves—

(a) relevant salary sacrifice arrangements, or

(b) relevant flexible remuneration arrangements,

Condition C is not prevented from being met by reason only that the scheme is not open to relevant low-paid employees.

(5B) In subsection (5A)—

"relevant salary sacrifice arrangements" means arrangements (whenever made) under which the employees for whom the care is provided give up the right to receive an amount of general earnings or specific employment income in return for the provision of the care;

"relevant flexible remuneration arrangements" means arrangements (whenever made) under which the employees for whom the care is provided agree with the employer that they are to be provided with the care rather than receive some other description of employment income;

"relevant low-paid employees" means any of the employer's employees who are remunerated by the employer at a rate such that, if the relevant salary sacrifice arrangements or relevant flexible remuneration arrangements applied to them, the rate at which they would then be so remunerated would be likely to be lower than the national minimum wage."

(3) The amendments made by this section have effect for the tax year 2005-06 and subsequent tax years.

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37 Accommodation expenses of MPs U.K.

(1) In section 292 of ITEPA 2003 (accommodation expenses of MPs), after subsection (4) insert—

"(5) The reference in subsection (1) to a payment made to a member of the House of Commons under section 5(1) of the Parliamentary Standards Act 2009 includes a payment made under that section to another person at the direction of a member (see section 6(7) of that Act)."

(2) The amendment made by this section has effect in relation to payments made under section 5(1) of the Parliamentary Standards Act 2009 on or after 1 November 2010.

38 Experts seconded to European Union bodies U.K.

(1) In Chapter 8 of Part 4 of ITEPA 2003 (employment income: special kinds of employment), after section 304 insert—

"304A Experts seconded to other European Union bodies

(1) No liability to income tax arises in respect of any subsistence allowances paid by a relevant EU body to persons who, because of their expertise in matters relating to the subject matter of the functions of the relevant EU body, have been seconded to the body by their employers.

(2) Each of the following is a "relevant EU body"—

(a) the European Medicines Agency, established as the European Agency for the Evaluation of Medicinal Products by Council Regulation (EEC) No 2309/93 of 22 July 1993,

(b) the European Police College, established by Council Decision of 20 September 2005 (2005/681/JHA),

(c) the European Banking Authority, established by Regulation (EU) No 1093/2010 of 24 November 2010, and

(d) any other body established by an EU instrument which is designated as a relevant EU body for the purposes of this section by an order made by the Treasury."

(2) The amendment made by this section has effect in relation to subsistence allowances paid in respect of periods beginning on or after 1 January 2011.

39 Employment income: exemption for fees relating to monitoring schemes U.K.

(1) In Chapter 11 of Part 4 of ITEPA 2003 (employment income: miscellaneous exemptions), after section 326 insert—

"Monitoring schemes

326A Fees relating to monitoring schemes relating to vulnerable persons

(1) No liability to income tax arises by virtue of the payment or reimbursement of a fee in respect of an application to join the scheme administered under

section 44 of the Protection of Vulnerable Groups (Scotland) Act 2007 (asp 14) (scheme to collate and disclose information about individuals working with vulnerable persons).

(2) The Treasury may by order amend subsection (1) so as—

(a) to add to the fees covered by that subsection a fee of a specified kind payable in connection with a scheme for England and Wales or Northern Ireland which corresponds to the scheme administered under section 44 of the Protection of Vulnerable Groups (Scotland) Act 2007, or

(b) to amend or remove a reference to a fee added under paragraph (a).”

(2) The amendment made by this section has effect for the tax year 2010-11 and subsequent tax years.

40 Individual investment plans for children U.K.

(1) Chapter 3 of Part 6 of ITTOIA 2005 (income from individual investment plans) is amended in accordance with subsections (2) to (5).

(2) In section 694 (income from individual investment plans), after subsection (1) insert—

“(1A) In subsection (1) “income of an individual from investments under a plan” includes income from investments which is treated as the individual's income by virtue of section 629 (income paid to relevant children of settlor).”

(3) After section 695 insert—

“695A Investment plans for children

(1) This section applies where investment plan regulations provide that income of a child from investments under a plan (a “child plan”) is exempt from income tax (either wholly or to such extent as is specified in the regulations).

(2) In addition to any provision which may be made by virtue of any other provision of this Chapter, investment plan regulations may—

(a) specify descriptions of persons by whom investments may be made for a child,

(b) provide that withdrawals may be made only in the circumstances specified in the regulations, and

(c) provide that, in the case of a child who is under 16, the plan managers may act only on the direction of a person of a description specified in the regulations.

(3) They may also provide—

(a) that any assignment of, or agreement to assign, investments under a child plan, and any charge on or agreement to charge any such investments, is void,

(b) that, on the bankruptcy of a child with investments under a child plan, the entitlement to those investments does not pass to any trustee or other person acting on behalf of the child's creditors, and

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(c) that, where a contract is entered into by or on behalf of a child who is 16 or over in connection with a child plan under which investments are held—

(i) by the child, or

(ii) by another child in relation to whom the child has parental responsibility,

the contract has effect as if the child had been 18 or over when it was entered into.

(4) Where, by virtue of provision made in investment plan regulations under subsection (2)(a), investments are made for a child under a child plan, for the purposes of this Chapter the child is treated as having made those investments.

(5) In this section—

"assignment" includes assignation, and "assign" is to be construed accordingly;

"bankruptcy", in relation to a child, includes the sequestration of the child's estate;

"charge on or agreement to charge" includes a right in security over or an agreement to create a right in security over;

"child" means an individual under 18;

"parental responsibility" means—

(a) parental responsibility within the meaning of the Children Act 1989 or the Children (Northern Ireland) Order 1995, or

(b) parental responsibilities within the meaning of the Children (Scotland) Act 1995;

and any reference to investments being held by a child includes a reference to investments being held by plan managers on behalf of the child by virtue of section 696(1)."

(4) In section 699 (non-entitlement to exemption), at the end insert—

"(9) In this section references to an investor include an individual entitled to an exemption given by investment plan regulations by virtue of section 694(1A)."

(5) In section 701 (general and supplementary powers), at the end insert—

"(6) In this section references to an investor include an individual entitled to an exemption given by investment plan regulations by virtue of section 694(1A)."

(6) In section 151 of TCGA 1992 (personal equity plans), in subsection (2)—

(a) for "section 694(1) and (2)" substitute " section 694(1) to (2) ", and

(b) for the words from "but with" to the end substitute "but with the following modifications—

(a) any reference to income tax is to be read as a reference to capital gains tax,

(b) the reference in section 695A(1) to the case where regulations provide that income of a child from investments under a plan is exempt from income tax is to be read as a

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reference to the case where regulations provide that a child who invests under a plan is entitled to relief from capital gains tax in respect of the investments,

(c) the reference in section 695A(4) to that Chapter is to be read as a reference to this section, and

(d) that Chapter has effect as if sections 699(9) and 701(6) were omitted."

41 Gift aid: increase of limits on total value of benefits associated with gifts U.K.

(1) In section 418 of ITA 2007 (gifts to charities by individuals: restrictions on associated benefits), in subsection (3), for "£500" substitute " £2,500 ".

(2) In section 197 of CTA 2010 (gifts to charities by companies: restrictions on associated benefits), in subsection (3), for "£500" substitute " £2,500 ".

(3) Accordingly, omit section 60(1)(b) of FA 2007.

(4) The amendments made by subsections (1) and (3) have effect in relation to gifts made on or after 6 April 2011.

(5) The amendment made by subsection (2) has effect in relation to gifts made in an accounting period ending on or after 1 April 2011.

VALID FROM 13/10/2011

42 Enterprise investment scheme: amount of relief U.K.

(1) Part 5 of ITA 2007 (enterprise investment scheme) is amended in accordance with subsections (2) to (4).

(2) In section 158 (form and amount of EIS relief), in subsection (2A) for "20%" substitute " 30% ".

(3) In the following provisions for "EIS rate" substitute " EIS original rate "

(a) section 209(3);
(b) section 210(1)(b);
(c) section 213(2);
(d) section 220(1)(b);
(e) section 224(2);
(f) section 229(1)(b).

(4) After section 256 insert—

"256A Meaning of "the EIS original rate"

In this Part "the EIS original rate", in relation to EIS relief, means the EIS rate for the tax year for which the EIS relief was obtained."

(5) In Schedule 4 to that Act (index of defined expressions), at the appropriate place insert—

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“EIS original rate (in Part 5)	section 256A”

(6) This section comes into force on such day as the Treasury may by order appoint.

(7) The amendments made by this section have effect in relation to the tax year 2011-12 and subsequent tax years.

(8) But where the EIS relief attributable to shares was obtained for the tax year 2007-08 or an earlier tax year, the references to the EIS original rate in the provisions mentioned in paragraph (a) to (f) of subsection (3) are to be read as references to 20%.

Subordinate Legislation Made

P1 S. 42(6) power fully exercised: 13.10.2011 appointed by {S.I. 2011/2459}, art. 2

VALID FROM 15/09/2011

43 Relief for expenditure on R&D by SMEs U.K.

(1) Part 13 of CTA 2009 (additional relief for expenditure on research and development) is amended as follows.

(2) Chapter 2 (relief for small or medium-sized enterprises (“SMEs”)) is amended in accordance with subsections (3) to (6).

(3) In section 1044 (additional deduction in calculating profits of trade), in subsection (8), for “75%” substitute “ 100% ”.

(4) In section 1045 (alternative treatment for pre-trading expenditure: deemed trading loss), in subsection (7), for “175%” substitute “ 200% ”.

(5) In section 1055 (tax credit: meaning of “Chapter 2 surrenderable loss”), in subsection (2)(b), for “175%” substitute “ 200% ”.

(6) In section 1058 (amount of tax credit), in subsection (1)(a), for “14%” substitute “ 12.5% ”.

(7) Chapter 7 (relief for SMEs and large companies: vaccine research etc) is amended in accordance with subsections (8) to (11).

(8) In section 1089 (SMEs: amount of deduction), in subsection (2), for “40%” substitute “ 20% ”.

(9) In section 1090 (modification of section 1089 for larger SMEs), in subsection (2), for “40%” substitute “ 20% ”.

(10) In section 1092 (SMEs: deemed trading loss for pre-trading expenditure), in subsection (8)—

- (a) in paragraph (a), for “40%” substitute “ 20% ”, and
- (b) in paragraph (b), for “140%” substitute “ 120% ”.

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(11) In section 1104 (tax credit: meaning of "Chapter 7 surrenderable loss"), in subsection (5), for "140%" substitute " 120% ".

(12) This section comes into force on such day as the Treasury may by order appoint.

(13) The amendments made by this section have effect in relation to expenditure incurred on or after 1 April 2011.

Subordinate Legislation Made

P2 S. 43(12) power fully exercised: 15.9.2011 appointed by {S.I. 2011/2280}, art. 2

Chargeable gains

44 Value shifting U.K.

Schedule 9 contains provision about value shifting.

45 Company ceasing to be member of a group U.K.

Schedule 10 contains provision about the consequences, for the purposes of corporation tax on chargeable gains, of a company ceasing to be a member of a group.

46 Pre-entry losses U.K.

Schedule 11 contains provision about losses accruing to a company before the time when it becomes a member of a group of companies and losses accruing on assets held by a company at such a time.

Foreign profits

47 Controlled foreign companies U.K.

Schedule 12 contains provision in relation to controlled foreign companies.

48 Profits of foreign permanent establishments etc U.K.

Schedule 13 contains provision about the profits of foreign permanent establishments of UK resident companies etc.

Investment trusts

49 Meaning of "investment trust" U.K.

(1) Chapter 4 of Part 24 of CTA 2010 (investment trusts) is amended as follows.

(2) For section 1158 (meaning of "investment trust" in the Corporation Tax Acts) substitute—

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"1158 Meaning of "investment trust"

(1) For the purposes of the Corporation Tax Acts a company is an "investment trust" with respect to an accounting period if—

(a) conditions A to C are met throughout the period, and

(b) the company is approved for the period by the Commissioners for Her Majesty's Revenue and Customs (see section 1159).

(2) Condition A is that the business of the company consists of investing its funds in shares, land or other assets with the aim of spreading investment risk and giving members of the company the benefit of the results of the management of its funds.

(3) Condition B is that the shares making up the company's ordinary share capital (or, if there are such shares of more than one class, those of each class) are admitted to trading on a regulated market.

(4) For this purpose "regulated market" has the same meaning as in Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (see Article 4.1(14)).

(5) Condition C is that the company is not—

(a) a venture capital trust (within the meaning of Part 6 of ITA 2007), or

(b) a company UK REIT (within the meaning of Part 12 of this Act).

(6) The Treasury may by regulations provide—

(a) for one or both of conditions A and B to be treated as met in the cases, and subject to any conditions, specified in the regulations, and

(b) for the period for which the condition or conditions are treated as met.

(7) The Treasury may also by regulations amend subsection (3) or (4).

(8) A statutory instrument containing the first regulations under subsection (6) may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

(9) Any other statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons."

(3) For section 1159 (conditions for approval) substitute—

"1159 Approval

(1) The Treasury may by regulations make provision about the approval of a company for an accounting period for the purposes of section 1158(1)(b), including provision about—

(a) applications for approval,

(b) the determination of applications for approval,

(c) requirements to be met by the company while approved,

(d) the withdrawal of approval by notice, or

(e) the consequences of the withdrawal of approval.

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(2) The regulations may, in particular—

(a) include provision under which an application for approval—

(i) is to be made by reference to the accounting period in which the application is made or such earlier or later accounting period as may be specified in the application, and

(ii) is to constitute an application for approval for that and all subsequent accounting periods,

(b) specify the form and content of, and information to accompany, an application,

(c) permit or require the Commissioners to grant or refuse an application where conditions specified in the regulations are met (or appear to the Commissioners to be met) in relation to the company,

(d) permit or require the Commissioners to withdraw approval where—

(i) conditions specified in the regulations are met (or appear to the Commissioners to be met) in relation to the company, or

(ii) the company has failed to comply with requirements imposed by the regulations,

(e) include provision prohibiting a company from which approval has been withdrawn from reapplying, or

(f) include provision under which approval may or must be withdrawn in relation to an accounting period that ends before the notice withdrawing approval is given.

(3) Regulations under this section—

(a) may make different provision for different cases or purposes, and

(b) may make incidental, consequential, supplementary or transitional provision.

(4) A statutory instrument containing the first regulations under this section may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

(5) Any other statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons.

(6) In this section "the Commissioners" means the Commissioners for Her Majesty's Revenue and Customs."

(4) Omit sections 1160 to 1165 (which relate to the interpretation of the provisions replaced by this section).

(5) In Schedule 4 (index of defined expressions), omit the following entries—

"company (in Chapter 4 of Part 24)"

"scheme of reconstruction (in Chapter 4 of Part 24)"

"shares (in Chapter 4 of Part 24)".

(6) The amendments made by this section have effect in relation to accounting periods beginning on or after such day as the Treasury may by order appoint.

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Subordinate Legislation Made

P3 S. 49(6) power fully exercised: 1.1.2012 appointed by {S.I. 2011/2977}, art. 2

50 Power to make provision about treatment of transactions U.K.

In Part 13 of CTA 2010 (special types of company etc), after Chapter 3 insert—

"**CHAPTER 3A** U.K.

INVESTMENT TRUSTS

622A **Power to make provision about treatment of transactions**

(1) The Treasury may by regulations provide that a transaction of a specified kind entered into by an investment trust is to be treated for the purposes of the Corporation Tax Acts as entered into by it otherwise than in the course of a trade.

(2) Regulations under this section—

(a) may make different provision for different cases or purposes, and

(b) may make incidental, consequential, supplementary or transitional provision.

(3) A statutory instrument containing the first regulations under this section may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

(4) Any other statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons.

(5) In this section "specified" means specified in regulations under this section."

Miscellaneous

51 Taxable benefits: calculating the appropriate percentage for cars U.K.

(1) In section 139 of ITEPA 2003 (cars with a CO_2 emissions figure: the appropriate percentage), as substituted by section 59 of FA 2010 with effect for the tax year 2012-13 and subsequent tax years, in subsection (5) for "100 grams" substitute " 95 grams ".

(2) The amendment made by this section has effect for the tax year 2013-14 and subsequent tax years.

52 Furnished holiday lettings U.K.

Schedule 14 contains provisions about furnished holiday lettings.

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53 Leases and changes to accounting standards U.K.

(1) This section applies where there is a change in a leasing accounting standard which—

(a) occurs on or after 1 January 2011, and

(b) is not within subsection (3),

(in this section referred to as a "leasing change").

(2) "Leasing accounting standard" means—

(a) International Accounting Standard 17 (leases) issued by the International Accounting Standards Board,

(b) Statement of Standard Accounting Practice 21 (accounting for leases and hire purchase contracts) recognised by the Accounting Standards Board,

(c) the part of the International Financial Reporting Standard for Small and Medium-sized Entities issued by the International Accounting Standards Board which relates specifically to leases,

(d) the part of the Financial Reporting Standard for Smaller Entities issued by the Accounting Standards Board which relates specifically to leases, or

(e) any accounting standard, or part of an accounting standard, which replaces (wholly or in part) a standard or part mentioned in paragraphs (a) to (d).

(3) A change is within this subsection if, and to the extent that, it is one which permits or requires persons, when preparing accounts in accordance with UK GAAP, to account for a lease, or a transaction accounted for as a lease, in a manner equivalent to that provided for by the International Financial Reporting Standard for Small and Medium-sized Entities issued by the International Accounting Standards Board (disregarding any leasing change which may be made to that Standard).

(4) Changes within subsection (1) include those which may or must be adopted for periods of account which fall wholly or partly before the time the change occurs or before the day on which this Act is passed.

(5) For the purposes of the Taxes Acts any reference in those Acts (other than this section)—

(a) to a thing being determined or done in accordance with or by reference to generally accepted accounting practice, or

(b) to accounts prepared (or not prepared) in accordance with international accounting standards or UK GAAP,

is to be construed as if any leasing change had not occurred.

(6) Section 997 of ITA 2007 and section 1127 of CTA 2010 (meaning of "generally accepted accounting practice" and related expressions in the Tax Acts) have effect subject to subsection (5).

(7) Where a person prepares or is required to prepare accounts in accordance with new standards for a period of account, the Taxes Acts (other than this section) have effect as if the person prepared or was required to prepare accounts, for that period, in accordance with the corresponding old standards.

(8) For the purposes of subsection (7)—

(a) if the new standards are international accounting standards, the corresponding old standards are international accounting standards disregarding any leasing change, and

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(b) if the new standards are UK GAAP, the corresponding old standards are UK GAAP disregarding any leasing change.

(9) In this section—

"accounting body" means the International Accounting Standards Board or the Accounting Standards Board, or a successor body to either of those Boards;

"accounting standard" includes any statement of practice, guidance or other similar document issued or recognised by an accounting body;

"change", in relation to a leasing accounting standard, means the issue, revocation, amendment or recognition of, or withdrawal of recognition from, the standard by an accounting body;

"international accounting standards" has the same meaning as in section 1127 of CTA 2010;

"new standards" means accounting standards which reflect one or more leasing changes;

"Taxes Acts" means—

(a) the Tax Acts, and

(b) TCGA 1992 and all other enactments relating to capital gains tax;

"UK GAAP" means UK generally accepted accounting practice as defined in section 997(2) of ITA 2007 and section 1127(2) of CTA 2010.

(10) This section has effect in relation to any period (including any period falling wholly or partly before the day on which this Act is passed) in respect of which a change to a leasing accounting standard which occurs on or after 1 January 2011 may or must be adopted by any person for accounting purposes.

54 Leasing companies: withdrawal of election U.K.

(1) In section 398A(1)(a) of CTA 2010 (election out of qualifying change of ownership), after "day")" insert " before 23 March 2011 ".

(2) The amendment made by this section is to be treated as having come into force on 23 March 2011.

55 Companies with small profits: associated companies U.K.

(1) For section 27 of CTA 2010 (meaning of "associated company": attribution to persons of rights and powers of their partners) substitute—

"27 Attribution to persons of rights and powers of their associates

(1) This section applies if—

(a) it is necessary to determine in accordance with section 25(4) and (5) whether a company is an associated company of another company, and

(b) the relationship between the two companies is not one of substantial commercial interdependence.

(2) In the application of section 451 (meaning of "control": rights to be attributed) for the purposes of the determination, any person to whom rights

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and duties fall to be attributed under subsections (4) and (5) of that section is to be treated, for the purposes of those subsections, as having no associates.

(3) The Treasury may by order prescribe factors that are to be taken into account in determining whether a relationship between two companies amounts to substantial commercial interdependence for the purposes of this section."

(2) The amendment made by this section has effect in relation to accounting periods ending on or after 1 April 2011.

(3) But a company may elect that the amendment made by this section is of no effect in relation to an accounting period that begins before that date.

(4) An election under subsection (3) must be made within one year from the end of the accounting period to which it relates.

(5) The first order under section 27(3) of CTA 2010 (as substituted by subsection (1) of this section) may be made so as to have effect in relation to accounting periods ending on or after 1 April 2011.

56 Insurance companies: apportionment of amounts brought into account U.K.

(1) In section 432C of ICTA (section 432B apportionment: non-participating funds), in subsection (9), for the words from "D is" to the end substitute—

"D is the sum of—

(a) the mean of the opening and closing liabilities of the relevant business so far as referable to basic life assurance and general annuity business (but taking that mean to be nil if it would otherwise be below nil), reduced (but not below nil) by the mean of the opening and closing net values of any assets linked to that category of business, and

(b) the mean of the opening and closing liabilities of the relevant business so far as referable to PHI business (but taking that mean to be nil if it would otherwise be below nil), reduced (but not below nil) by the mean of the opening and closing net values of any assets linked to that category of business."

(2) The amendment made by this section has effect in relation to periods of account beginning on or after 1 January 2011.

(3) For the purposes of section 432CA of ICTA, where the current period of account begins on or after 1 January 2011, the reference in subsection (4) to section 432C is a reference to that section as amended by this section even if the applicable appropriate period of account began before that date.

(4) In subsection (3), "current period of account", "appropriate period of account" and "applicable" have the meaning given by section 432CA of ICTA.

57 Tonnage tax: capital allowances in respect of ship leasing U.K.

(1) Part 10 of Schedule 22 to FA 2000 (companies within tonnage tax: capital allowances in respect of ship leasing) is amended as follows.

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(2) In paragraph 94 (quantitative restrictions on allowances)—

(a) in sub-paragraph (3)(a), for "a rate of 20% per annum" substitute " the rate determined under sub-paragraph (3A) ",

(b) in sub-paragraph (3)(b), for "a rate of 10% per annum" substitute " the rate specified in section 104D(1) of the Capital Allowances Act 2001 ",

(c) after sub-paragraph (3) insert—

"(3A) The rate mentioned in sub-paragraph (3)(a) is—

(a) if the rate of the writing down allowance to which the lessor would be entitled in respect of the expenditure apart from this paragraph is that specified in section 56(1) of the Capital Allowances Act 2001, that rate, and

(b) otherwise, the rate specified in section 104D(1) of that Act.",

(d) in sub-paragraph (4)—

(i) omit the words "within each of those bands",

(ii) after "separate pools" insert " in accordance with sub-paragraph (4A) ", and

(iii) omit the second sentence, and

(e) after that sub-paragraph insert—

"(4A) The expenditure is to be allocated to the following pools—

(a) to the extent that it is expenditure in respect of which the lessor is entitled to writing down allowance at the rate specified in section 56(1) of the Capital Allowances Act 2001, a pool to be known as "the tonnage tax (main rate) pool", and

(b) to the extent that it is expenditure in respect of which the lessor is entitled to writing down allowance at the rate specified in section 104D(1) of that Act, a pool to be known as "the tonnage tax (special rate) pool"."

(3) In paragraph 95(4)—

(a) for "(4)" substitute " (4A) ", and

(b) for "20%" substitute " tonnage tax (main rate) " and for "10%" substitute " tonnage tax (special rate) ".

(4) In paragraph 97—

(a) in sub-paragraphs (2) and (3), for "20%" substitute " tonnage tax (main rate) " and for "10%" substitute " tonnage tax (special rate) ", and

(b) in sub-paragraph (4), for "10%" substitute " tonnage tax (special rate) ".

(5) In paragraph 98(8), for "20%" substitute " tonnage tax (main rate) " and for "10%" substitute " tonnage tax (special rate) ".

(6) In paragraph 99 (quantitative restrictions: change of circumstances taking case out of restrictions)—

(a) in sub-paragraph (2), for "20%" substitute " tonnage tax (main rate) " and for "10%" substitute " tonnage tax (special rate) ",

(b) in sub-paragraph (4), for the words from "the whole of" to the end substitute " the amount that the tax written down value of the ship would have been, at

the time the change of circumstances occurs, had paragraph 94 never applied.
", and

(c) omit sub-paragraph (5).

(7) In consequence of the amendments made by this section, omit section 80(5) to (7) of FA 2008.

(8) The amendments made by this section have effect in relation to chargeable periods ending on or after 1 January 2011.

(9) But the amendments made by this section are of no effect in relation to expenditure incurred before that date.

58 Transfer pricing: application of OECD principles U.K.

(1) In section 164 of TIOPA 2010 (Part to be interpreted in accordance with OECD principles), for subsection (4) substitute—

"(4) In this section "the transfer pricing guidelines" means—

(a) the version of the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations approved by the Organisation for Economic Co-operation and Development (OECD) on 22 July 2010, or

(b) such other document approved and published by the OECD in place of that (or a later) version or in place of those Guidelines as is designated for the time being by order made by the Treasury,

including, in either case, such material published by the OECD as part of (or by way of update or supplement to) the version or other document concerned as may be so designated."

(2) The amendment made by this section has effect (in relation to provision made or imposed at any time)—

(a) for corporation tax purposes, for accounting periods beginning on or after 1 April 2011, and

(b) for income tax purposes, for the tax year 2011-12 and subsequent tax years.

59 Offshore funds U.K.

In Part 8 of TIOPA 2010 (offshore funds), after section 363 insert—

"363A Residence of offshore funds which are undertakings for collective investment in transferable securities

(1) This section applies to an offshore fund (within the meaning of section 355) which—

(a) is, for the purposes of the UCITS Directive, an undertaking for collective investment in transferable securities, and

(b) is authorised pursuant to Article 5 of the UCITS Directive in a Member State other than the United Kingdom.

(2) If—

(a) the offshore fund is a body corporate which, under the law of the Member State in which it is authorised pursuant to Article 5 of the

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UCITS Directive, is treated as resident in that State for the purposes of any tax imposed under that law on income, and

(b) (apart from this section) the body corporate would be treated as resident in the United Kingdom for the purposes of any enactment (within the meaning of section 354) relating to income tax, corporation tax or capital gains tax,

the body corporate is instead to be treated as if it were not resident in the United Kingdom.

(3) If, by virtue of section 99 or 103A of TCGA 1992, that Act applies in relation to the offshore fund as if it were a company, that Act applies as if the company were neither resident nor ordinarily resident in the United Kingdom (if it would not otherwise do so).

(4) In this section "the UCITS Directive" means Directive 2009/65/EC of the European Parliament and of the Council."

60 Index-linked gilt-edged securities U.K.

(1) In section 399 of CTA 2009 (index-linked gilt-edged securities: basic rules), for subsection (4) substitute—

"(4) In this section and sections 400 to 400C—

"index-linked gilt-edged securities" means any gilt-edged securities under which the amounts of the payments are determined wholly or partly by reference to an index of prices published by the Statistics Board;

"relevant prices index", in relation to an index-linked gilt-edged security, means the index of prices by reference to which the amounts of the payments under the security are wholly or partly determined."

(2) In the following provisions of that Act, for "retail" substitute " relevant "

(a) section 400(1)(b), (2), (3) and (6);

(b) section 400A(3) and (7)(b).

(3) Accordingly, in Schedule 14 to FA 2010, omit paragraph 4(4).

(4) The amendments made by this section have effect in relation to securities issued on or after the day on which this Act is passed.

VALID FROM 19/07/2011

PART 3 U.K.

OIL

61 PRT: areas treated as continuing to be oil fields U.K.

(1) In Schedule 1 to OTA 1975 (determination of oil fields), in paragraph 7(4), for "the relevant area" substitute " those qualifying assets ".

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(2) The amendment made by this section has effect in relation to chargeable periods that begin after 30 June 2009.

62 Intangible fixed assets: oil licences U.K.

(1) Section 809 of CTA 2009 (oil licences) is amended as follows.

(2) After subsection (1) insert—

"(1A) The reference in subsection (1) to an oil licence or an interest in an oil licence includes all goodwill, and any intangible asset, which relates to, derives from or is connected with an oil licence or an interest in an oil licence."

(3) In subsection (2), for "subsection (1)" substitute " this section ".

(4) In subsection (4), for "subsection (1)" substitute " this section ".

(5) The amendments made by this section have effect in relation to accounting periods beginning on or after 23 March 2011 (and, in relation to those accounting periods, are to be treated as always having had effect).

(6) For the purposes of subsection (5), an accounting period beginning before, and ending on or after, 23 March 2011 is to be treated as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods.

63 Reduction of supplementary charge for certain new oil fields U.K.

(1) In section 337 of CTA 2010 (initial licensee to hold a field allowance), in subsection (1), for "authorisation day" substitute " accounting period in which the authorisation day falls ".

(2) For section 350 of that Act (meaning of "new oil field") substitute—

"350 New oil field"

(1) In this Chapter "new oil field" means an oil field—
(a) which is a qualifying oil field, and
(b) whose development (in whole or in part) is authorised for the first time on or after 22 April 2009.

(2) If all assets of an oil field which are relevant assets have been decommissioned, there is to be ignored for the purposes of subsection (1)(b) any authorisation in respect of that oil field which occurs before that decommissioning.

(3) Sub-paragraphs (2) to (9) of paragraph 7 of Schedule 1 to OTA 1975 apply for the purpose of determining whether relevant assets of an oil field are decommissioned as they apply for the purpose of determining whether qualifying assets of a relevant area are decommissioned.

(4) For the purposes of this section, an asset is a relevant asset of an oil field if—
(a) it has at any time been a qualifying asset (within the meaning of the Oil Taxation Act 1983) in relation to any participator in the field, and

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(b) it has at any time been used for the purpose of winning oil from the field."

(3) In section 357 of that Act (other definitions), in the definition of "authorisation day", after "authorised" insert " as mentioned in section 350(1)(b) ".

(4) The amendments made by this section have effect in relation to accounting periods ending on or after 1 April 2010.

(5) Corresponding amendments, having effect in relation to accounting periods ending on or after 22 April 2009, are to be treated as having been made in Schedule 44 to FA 2009.

64 Chargeable gains: oil activities U.K.

Schedule 15 contains provisions about chargeable gains in relation to oil activities.

PART 4 U.K.

PENSIONS

VALID FROM 19/07/2011

65 Benefits under pension schemes U.K.

Schedule 16 contains provision about the benefits available under pension schemes and related matters.

VALID FROM 19/07/2011

66 Annual allowance charge U.K.

Schedule 17 contains provision about the annual allowance charge.

VALID FROM 19/07/2011

67 Lifetime allowance charge U.K.

Schedule 18 contains provision about the lifetime allowance charge.

68 Borrowing by section 67 pension scheme U.K.

(1) Section 182 of FA 2004 (unauthorised borrowing) does not cause a section 67 pension scheme to be not authorised to borrow an amount for the purposes of meeting costs of establishing, administering or managing the pension scheme.

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(2) Accordingly, in the case of a section 67 pension scheme, references in sections 182 and 183 of FA 2004 to amounts previously borrowed do not include any amount previously borrowed for those purposes.

(3) For the purposes of this section neither—

(a) borrowing an amount for making investments for the purposes of a pension scheme, nor

(b) borrowing an amount for making deposits with a view to deriving income for the purposes of a pension scheme (otherwise than prior to applying the amount for meeting costs of establishing, administering or managing the pension scheme),

is to be taken to be borrowing the amount for the purposes of meeting costs of establishing, administering or managing the pension scheme.

(4) In this section "section 67 pension scheme" means a pension scheme which is established under section 67 of the Pensions Act 2008.

(5) Section 163(2) of FA 2004 (meaning of "borrowing") applies for the interpretation of this section.

(6) This section is treated as having come into force on 6 April 2011.

VALID FROM 19/07/2011

69 Exemption from tax on interest on unpaid relevant contributions U.K.

(1) ITTOIA 2005 is amended as follows.

(2) In section 369(3)(e) (exemptions from income tax charge on income), after "loans," insert " unpaid relevant contributions, ".

(3) After section 753 insert—

"**753A Interest on unpaid relevant contributions**

(1) No liability to income tax arises in respect of interest paid in compliance with a requirement in a compliance notice or an unpaid contributions notice to pay interest in respect of unpaid relevant contributions.

(2) In this section—

"compliance notice" means a notice under section 35 of the Pensions Act;

"the Pensions Act" means the Pensions Act 2008 or the Pensions (No.2) Act (Northern Ireland) 2008;

"unpaid contributions notice" means a notice under section 37 of the Pensions Act;

"unpaid relevant contributions" has the same meaning as in section 38(2)(a) of the Pensions Act."

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VALID FROM 19/07/2011

70 Power to make further provision about section 67 pension scheme U.K.

(1) The Treasury may by regulations make provision for and in connection with—

(a) the application of the relevant taxes in relation to a pension scheme established under section 67 of the Pensions Act 2008, and

(b) the application of the relevant taxes in relation to any person in connection with such a pension scheme.

(2) The provision that may be made by regulations under this section includes provision imposing any of the relevant taxes (as well as provisions for exemptions or reliefs).

(3) The relevant taxes are—

(a) income tax,

(b) capital gains tax,

(c) corporation tax, and

(d) inheritance tax.

(4) Regulations under this section may include provision having effect in relation to any time before they are made if the provision does not increase any person's liability to tax.

(5) Regulations under this section may include—

(a) provision amending any enactment or instrument, and

(b) consequential, supplementary and transitional provision.

(6) Regulations under this section are to be made by statutory instrument.

(7) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons.

VALID FROM 19/07/2011

71 Tax provision consequential on Part 1 of Pensions Act 2008 etc U.K.

(1) The Treasury may by regulations make provision in relation to any of the relevant taxes in consequence of Part 1 of the Pensions Act 2008 or Part 1 of the Pensions (No.2) Act (Northern Ireland) 2008.

(2) The provision that may be made by regulations under this section includes provision imposing any of the relevant taxes (as well as provisions for exemptions or reliefs).

(3) The relevant taxes are—

(a) income tax,

(b) capital gains tax,

(c) corporation tax,

(d) inheritance tax,

(e) value added tax,

(f) stamp duty land tax,

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(g) stamp duty, and
(h) stamp duty reserve tax.

(4) Regulations under this section may include provision having effect in relation to any time before they are made if the provision does not increase any person's liability to tax.

(5) Regulations under this section may make different provision for different cases.

(6) Regulations under this section may include—
(a) provision amending any enactment or instrument, and
(b) consequential, supplementary and transitional provision.

(7) Regulations under this section are to be made by statutory instrument.

(8) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons.

VALID FROM 19/07/2011

72 Foreign pensions of UK residents U.K.

(1) In Part 2 of TIOPA 2010 (double taxation relief), in Chapter 3 (miscellaneous provisions), after section 130 insert—

"130A Interpreting provision about UK taxation of pensions etc

(1) Subsection (3) applies if double taxation arrangements make the provision, however expressed, mentioned in subsection (2).

(2) The provision is that pensions and other similar remuneration which—
(a) arise outside the United Kingdom, and
(b) are paid to persons who are resident in the United Kingdom,

are not to be subject to United Kingdom tax.

(3) That provision does not prevent a pension or other similar remuneration of a person resident in the United Kingdom being chargeable to income tax if—
(a) the pension or other similar remuneration is paid out of sums or assets that were the subject of a relevant transfer or related sums or assets, and
(b) the relevant transfer or any transaction forming part of that transfer was, or formed part of, a tax avoidance scheme.

(4) But nothing in subsection (3) prevents credit being allowed under Chapter 2 of this Part (double taxation relief by way of credit) against any tax so charged.

(5) In determining whether a pension or other similar remuneration is paid out of sums or assets within subsection (3)(a), it is to be assumed that it is paid out of such sums or assets in priority to any other sums or assets.

(6) A "relevant transfer", in respect of any sums or assets, is a transaction or series of transactions as a result of which—

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(a) the sums or assets are transferred out of a pension scheme, and

(b) the sums or assets or related sums or assets (or both) are transferred into the pension scheme under which the pension or other similar remuneration is paid.

(7) A scheme is a "tax avoidance scheme" if the main purpose, or one of the main purposes, of any party to the scheme in entering into the scheme is to secure an income tax advantage for any person under this Part by virtue of provision mentioned in subsection (2) made by double taxation arrangements.

(8) For the purposes of subsection (7)—

(a) "scheme" includes any scheme, arrangements or understanding of any kind whatever, whether or not legally enforceable, involving a single transaction or two or more transactions,

(b) it does not matter whether or not the double taxation arrangements were in existence at the time the tax avoidance scheme was entered into or given effect to, and

(c) "income tax advantage" is to be construed in accordance with section 572A(3) to (5) of ITA 2007.

(9) In this section—

"pension" and "other similar remuneration" have the same meaning as in the Model Tax Convention on Income and on Capital published (from time to time) by the Organisation for Economic Co-operation and Development;

"pension scheme" has the same meaning as in Part 4 of FA 2004 (see section 150 of that Act);

"related sums or assets", in relation to other sums or assets ("the original sums or assets"), means sums or assets which arise, or (directly or indirectly) derive, from the original sums or assets or from sums or assets which so arise or derive."

(2) The amendment made by this section has effect in relation to the tax year 2011-12 and subsequent tax years (and it does not matter whether the tax avoidance scheme was entered into or effected before, or on or after, 6 April 2011).

VALID FROM 19/07/2011

PART 5 U.K.

BANK LEVY

73 The bank levy U.K.

Schedule 19 contains provision for and in connection with the bank levy.

***Status:** Point in time view as at 06/04/2011. This version of this Act contains provisions that are not valid for this point in time.*
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PART 6 U.K.

OTHER TAXES

VALID FROM 19/07/2011

Value added tax

74 Business samples U.K.

(1) In Schedule 4 to VATA 1994 (matters to be treated as supply of goods or services), paragraph 5 (transfer or disposal of goods forming part of the assets of a business) is amended as follows.

(2) For sub-paragraph (2)(b) substitute—

“(b) the provision to a person, otherwise than for a consideration, of a sample of goods.”

(3) Omit sub-paragraph (3).

75 Zero-rating: splitting of supplies U.K.

(1) In Part 2 of Schedule 8 to VATA 1994 (zero-rating: groups), Group 3 (books, etc) is amended as follows.

(2) For “*Note*: Items 1 to 6—” substitute—

“Notes

(1) Items 1 to 6—”.

(3) At the end insert—

“(2) Items 1 to 6 do not include goods in circumstances where—

(a) the supply of the goods is connected with a supply of services, and

(b) those connected supplies are made by different suppliers.

(3) For the purposes of Note (2) a supply of goods is connected with a supply of services if, had those two supplies been made by a single supplier—

(a) they would have been treated as a single supply of services, and

(b) that single supply would have been a taxable supply (other than a zero-rated supply) or an exempt supply.”

(4) The amendments made by this section have effect in relation to supplies made on or after the day on which this Act is passed.

76 Academies U.K.

(1) In Part 2 of VATA 1994 (reliefs, exemptions and repayments), after section 33A insert —

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"33B Refunds of VAT to Academies

(1) This section applies where—

(a) VAT is chargeable on—

(i) the supply of goods or services to the proprietor of an Academy,

(ii) the acquisition of any goods from another member State by the proprietor of an Academy, or

(iii) the importation of any goods from a place outside the member States by the proprietor of an Academy, and

(b) the supply, acquisition or importation is not for the purposes of any business carried on by the proprietor of the Academy.

(2) The Commissioners shall, on a claim made by the proprietor of the Academy at such time and in such form and manner as the Commissioners may determine, refund to that proprietor the amount of VAT so chargeable.

(3) Subject to subsection (4), the claim must be made before the end of the period of 4 years beginning with the day on which the supply is made or the acquisition or importation takes place.

(4) If the Commissioners so determine, the claim period is such shorter period beginning with that day as the Commissioners may determine.

(5) Subsection (6) applies where goods or services supplied to, or acquired or imported by, the proprietor of the Academy cannot be conveniently distinguished from goods or services supplied to, or acquired or imported by, it for the purpose of a business carried on by that proprietor.

(6) The amount to be refunded under this section is such amount as remains after deducting from the whole of the VAT chargeable on any supply to, or acquisition or importation by, the proprietor of the Academy such proportion of that VAT as appears to the Commissioners to be attributable to the carrying on of the business.

(7) References in this section to VAT do not include any VAT which, by virtue of an order under section 25(7), is excluded from credit under section 25.

(8) In this section—

(a) references to the proprietor of an Academy are to the proprietor of the Academy acting in that capacity, and

(b) "Academy" and "proprietor" have the same meaning as in the Education Act 1996 (see section 579 of that Act)."

(2) In section 79 of that Act (repayment supplement in respect of certain delayed payments or refunds)—

(a) in subsection (1), after paragraph (c) insert ", or

(d) the proprietor of an Academy who is registered is entitled to a refund under section 33B,",

(b) in subsection (5), after paragraph (c) insert ", and

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(d) a supplement paid to the proprietor of an Academy under subsection (1)(d) shall be treated as an amount due to that proprietor by way of refund under section 33B.", and

(c) in subsection (6)(b) after "33A" insert " or 33B ".

(3) In section 90 of that Act (failure of resolution under the Provisional Collection of Taxes Act 1968), in subsection (3) after "33A," insert " 33B, ".

(4) In Part 2 of Schedule 9 to that Act (exemptions: groups), in Group 14 (supplies of goods where input tax cannot be recovered), in Note (9) after "33A," insert " 33B, ".

(5) The amendments made by this section have effect in relation to supplies made, and acquisitions and importations taking place, on or after 1 April 2011.

77 Relief from VAT on imported goods of low value U.K.

(1) In Schedule 2 to the Value Added Tax (Imported Goods) Relief Order 1984 (S.I. 1984/746) (reliefs for goods of certain descriptions), in item 8 of Group 8 (consignments of goods not exceeding a certain value), for "£18" substitute " £15 ".

(2) The amendment of that Schedule by this section is without prejudice to any power to amend that Schedule by subordinate legislation.

(3) The amendment made by this section has effect in relation to goods imported on or after 1 November 2011.

Climate change levy

VALID FROM 19/07/2011

78 Supplies of commodities to be used in producing electricity U.K.

Schedule 20 contains provision for and in connection with the charging of climate change levy on supplies of commodities to be used in producing electricity.

79 Northern Ireland gas supplies U.K.

(1) In Schedule 6 to FA 2000 (climate change levy), omit paragraph 11A (exemption for Northern Ireland gas supplies).

(2) Subsection (3) applies to a supply of gas if—

(a) the supply is made by a gas utility (within the meaning of that Schedule (see paragraph 147)),

(b) the person to whom the supply is made intends to cause the gas to be burned in Northern Ireland, and

(c) the supply is treated as taking place on or after 1 April 2011 but before 1 November 2013.

(3) Paragraph 42 of that Schedule (amount payable by way of levy) has effect as if—

(a) for sub-paragraphs (1) and (1A) there were substituted—

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"(1) The amount payable by way of levy on a taxable supply is—

(a) if the supply is treated as taking place before 1 April 2012, £0.00059 per kilowatt hour, and

(b) if the supply is treated as taking place on or after that date, £0.00062 per kilowatt hour.", and

(b) in sub-paragraph (3) the reference to a reduced-rate supply were a reference to a supply in relation to which this subsection applies.

(4) In FA 2001, omit section 105(2) (which inserted paragraph 11A of that Schedule).

(5) The amendments made by subsections (1) and (4) have effect in relation to a supply of gas to a person if the gas is actually supplied to the person on or after 1 April 2011.

(6) Subsections (2) and (3) are treated as having come into force on 1 April 2011.

Commencement Information

I1 S. 79 wholly in force at Royal Assent; s. 79(2)(3) in force retrospective to 1.4.2011, see s. 79(6)

VALID FROM 19/07/2011

80 Power to suspend exemption for supplies used in recycling processes U.K.

(1) The Treasury may by order provide that Schedule 6 to FA 2000 (climate change levy) is to have effect in relation to any supply of a taxable commodity made on or after 1 April 2011 as if—

(a) paragraph 18A (exemption: supply for use in recycling processes), and

(b) any reference to that paragraph,

were omitted.

(2) An order made under this section may apply—

(a) generally, or

(b) only in relation to supplies of a description specified in the order.

(3) Any revocation order made under this section may provide for the revocation to have effect in relation to supplies made on or after a day which is earlier than the day on which the revocation order is made.

(4) In this section a "revocation order" is an order revoking the whole or any part of an order containing the provision mentioned in subsection (1).

(5) The power to make an order under this section, other than a revocation order, may not be exercised after 31 March 2012.

(6) The power to make an order under this section is exercisable by statutory instrument.

(7) A statutory instrument containing an order under this section is subject to annulment in pursuance of a resolution of the House of Commons.

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(8) Any reference in this section to the time at which a supply of a taxable commodity is made is to be read as a reference to the time at which the taxable commodity is actually supplied.

VALID FROM 19/07/2011

Aggregates levy

81 Transitional tax credit U.K.

(1) Section 30A of FA 2001 (transitional tax credit in Northern Ireland) is amended as follows.

(2) For subsection (2) substitute—

"(2) The cases are those where a charge to aggregates levy has arisen on a quantity of aggregate which has been subjected to commercial exploitation during a prescribed period."

(3) Omit subsection (3).

(4) In subsection (5), for paragraph (a) substitute—

"(a) for a person to be entitled to a tax credit under the regulations in respect of aggregate originating from a site in respect of which any person holds an aggregates levy credit certificate which has not been withdrawn;".

VALID FROM 19/07/2011

Stamp duty land tax

82 Prevention of avoidance U.K.

Schedule 21 contains provision preventing avoidance of stamp duty land tax.

83 Transfers involving multiple dwellings U.K.

Schedule 22 contains provision about the amount of stamp duty land tax chargeable in respect of a transaction or set of transactions involving the acquisition of an interest in more than one dwelling.

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VALID FROM 24/07/2011

Stamp duty reserve tax

84 Interests in collective investment schemes U.K.

(1) Section 99 of FA 1986 (stamp duty reserve tax: interpretation) is amended as follows.

(2) In subsection (5B)—

(a) in paragraph (b), for the words after "exempt investment" substitute " , unless subsection (5C) applies to the scheme; ", and

(b) omit the sentence after paragraph (d).

(3) After subsection (5B) insert—

"(5C) This subsection applies to a collective investment scheme if more than 20% of the market value of the investments in which the property subject to the scheme is invested is attributable to investments which are not exempt investments for the purposes of subsection (5A)(b).

(5D) In subsections (5B) and (5C) "collective investment scheme" has the same meaning as in Part 17 of the Financial Services and Markets Act 2000."

(4) This section comes into force on the first Sunday after the day on which this Act is passed.

VALID FROM 19/07/2011

Part 7 U.K.

Administration etc

85 Security for payment of PAYE U.K.

(1) Section 684 of ITEPA 2003 (PAYE regulations) is amended as follows.

(2) In subsection (2), after item 4A insert—

Provision for and in connection with requiring the giving, in specified circumstances, of security (or further security) for the payment of amounts in respect of which a person is or may be accountable to the Commissioners under the regulations."

(3) After subsection (4) insert—

"(4A) A person who fails to comply with a requirement imposed under PAYE regulations to give security, or further security, for the payment of any amount commits an offence if the failure continues for such period as is

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specified; and a person guilty of an offence under this subsection is liable on summary conviction to a fine not exceeding level 5 on the standard scale."

86 Data-gathering powers U.K.

(1) Schedule 23 contains provision for officers of Revenue and Customs to obtain data from data-holders.

(2) Schedule 24 contains amendments of Schedule 36 to FA 2008 (information and inspection powers).

87 Mutual assistance for recovery of taxes etc U.K.

(1) Schedule 25 contains provision for the purpose of giving effect to Council Directive 2010/24/EU (which concerns mutual assistance for the recovery of claims relating to taxes, duties and other measures).

(2) The Treasury may by regulations make provision for the purpose of giving effect to—
- (a) any amendments or extensions of Council Directive 2010/24/EU,
- (b) any EU instrument that—
  - (i) wholly or partly replaces that Directive or a replacement of it, or
  - (ii) otherwise makes provision for or in connection with mutual assistance between member States in the recovery of claims relating to taxes, duties and other measures, and
- (c) any amendments or extensions of any such EU instrument.

(3) Regulations under subsection (2) may amend, replace or repeal Schedule 25 and any other enactment (whenever passed).

(4) Regulations under subsection (2) are to be made by statutory instrument.

(5) An instrument containing regulations under subsection (2) is subject to annulment in pursuance of a resolution of the House of Commons.

VALID FROM 19/07/2011

Part 8 U.K.

Miscellaneous provisions

88 Amendments of section 1 of the Provisional Collection of Taxes Act 1968 U.K.

(1) Section 1 of the Provisional Collection of Taxes Act 1968 (temporary statutory effect of House of Commons resolutions relating to certain taxes) is amended in accordance with subsections (2) to (7).

(2) In subsection (2) for "(8)" substitute " (9) ".

(3) For subsection (3) substitute—

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"(3) The period is one expiring at the end of seven months after the date on which the resolution is expressed to take effect or, if no such date is expressed, after the date on which the resolution is passed."

(4) In subsection (5)—

(a) in paragraph (c) omit "or prorogued", and

(b) after paragraph (c) insert ", or

(d) Parliament is prorogued."

(5) After subsection (5) insert—

"(5A) Subsection (5B) applies in relation to a resolution instead of subsection (5)(d) where Parliament is prorogued at the end of a session if—

(a) one of the following happens during the session—

(i) a Bill renewing, varying or, as the case may be, abolishing the tax is read a first time by the House, or

(ii) a Bill is amended by the House in Committee or on Report or by any Public Bill Committee of the House so as to include provision for the renewal, variation or, as the case may be, abolition of the tax,

(b) the Standing Orders or Sessional Orders of the House provide, or during the session the House orders, that proceedings on the Bill not completed before the end of the session shall be resumed in the next session, and

(c) proceedings on the Bill are not completed during the session.

(5B) The resolution shall cease to have statutory effect under this section if, during the period of thirty sitting days beginning with the first sitting day of the next session, no Bill renewing, varying or, as the case may be, abolishing the tax is presented to the House.

(5C) In subsection (5B) "sitting day" means a day on which the House sits.

(5D) Where a Bill is amended as mentioned in subsection (5A)(a)(ii), it does not matter for the purposes of subsection (5A)(b) if the House orders as mentioned in subsection (5A)(b) before the amendment to the Bill is made."

(6) In subsection (6) for "(4) or (5)" substitute " (4), (5) or (5B) ".

(7) After subsection (8) insert—

"(9) Subsection (8) does not apply where the later resolution is passed in a different calendar year from that in which the earlier resolution is passed."

(8) Accordingly, the following provisions are repealed—

(a) section 205(4) of FA 1993;

(b) section 50(1) and (3) of F(No.2)A 1997.

(9) The amendments made by this section come into force on such day as the Treasury may by order made by statutory instrument appoint.

(10) Subject to subsection (11), the amendments do not apply in relation to any resolution passed before the day appointed under subsection (9).

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(11) The cases covered by section 1(9) of the Provisional Collection of Taxes Act 1968 (as inserted by subsection (7)) include cases where the earlier resolution (but not the later resolution) is passed before the day appointed under subsection (9).

Subordinate Legislation Made

P4 S. 88(9) power fully exercised: 30.12.2011 appointed by {S.I. 2011/2934}, art. 2

89 Specified investments U.K.

(1) The amendments made by the second order are to be treated, for all tax purposes, as having come into force on 24 February 2010 immediately after the coming into force of the first order.

(2) A person may elect that subsection (1) is not to have effect in relation to that person.

(3) An election under subsection (2)—

(a) is to be made by notice in writing to an officer of Revenue and Customs,

(b) may not be made after the end of the period of 30 days beginning with the day on which this Act is passed, and

(c) is irrevocable.

(4) In this section—

"the first order" means the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 (S.I. 2010/86);

"the second order" means the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2011 (S.I. 2011/133);

"tax" means any tax or duty.

(5) Nothing in this section affects the commencement of the second order otherwise than as provided for by this section.

90 Machine games duty U.K.

The Commissioners for Her Majesty's Revenue and Customs may incur expenditure in preparing for the introduction of a new duty to be charged in respect of games played on machines.

91 Redundant reliefs U.K.

Schedule 26 contains provision repealing redundant reliefs.

Status: *Point in time view as at 06/04/2011. This version of this Act contains provisions that are not valid for this point in time.*
Changes to legislation: *Finance Act 2011 is up to date with all changes known to be in force on or before 07 August 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. (See end of Document for details)*

VALID FROM 19/07/2011

PART 9 U.K.

FINAL PROVISIONS

92 Interpretation U.K.

(1) In this Act—

"ALDA 1979" means the Alcoholic Liquor Duties Act 1979,

"BGDA 1981" means the Betting and Gaming Duties Act 1981,

"CAA 2001" means the Capital Allowances Act 2001,

"CRCA 2005" means the Commissioners for Revenue and Customs Act 2005,

"CTA 2009" means the Corporation Tax Act 2009,

"CTA 2010" means the Corporation Tax Act 2010,

"FISMA 2000" means the Financial Services and Markets Act 2000,

"HODA 1979" means the Hydrocarbon Oil Duties Act 1979,

"ICTA" means the Income and Corporation Taxes Act 1988,

"IHTA 1984" means the Inheritance Tax Act 1984,

"ITA 2007" means the Income Tax Act 2007,

"ITEPA 2003" means the Income Tax (Earnings and Pensions) Act 2003,

"ITTOIA 2005" means the Income Tax (Trading and Other Income) Act 2005,

"OTA 1975" means the Oil Taxation Act 1975,

"PRTA 1980" means the Petroleum Revenue Tax Act 1980,

"TCGA 1992" means the Taxation of Chargeable Gains Act 1992,

"TIOPA 2010" means the Taxation (International and Other Provisions) Act 2010,

"TMA 1970" means the Taxes Management Act 1970,

"TPDA 1979" means the Tobacco Products Duty Act 1979,

"VATA 1994" means the Value Added Tax Act 1994, and

"VERA 1994" means the Vehicle Excise and Registration Act 1994.

(2) In this Act—

"FA", followed by a year, means the Finance Act of that year;

"F(No.2)A", followed by a year, means the Finance (No. 2) Act of that year.

93 Short title U.K.

This Act may be cited as the Finance Act 2011.

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VALID FROM 14/12/2011

SCHEDULES

VALID FROM 19/07/2011

SCHEDULE 1 U.K.

Section 15

NEW HIGH STRENGTH BEER DUTY

High strength beer duty

1 In Part 3 of ALDA 1979 (beer), after section 36H insert—

"Charge of excise duty: high strength beer

37 High strength beer duty

(1) A duty of excise is charged on high strength beer—

(a) imported into the United Kingdom, or

(b) produced in the United Kingdom,

on or after 1 October 2011.

(2) "High strength beer" means beer which is of a strength exceeding 7.5 per cent.

(3) The duty charged by subsection (1) is referred to in this Act as "high strength beer duty".

(4) High strength beer duty is charged at £4.64 per hectolitre per cent of alcohol in the beer.

(5) Subject to the provisions of this Act—

(a) the high strength beer duty on beer produced in, or imported into, the United Kingdom is to be charged and paid, and

(b) the amount chargeable in respect of any such duty is to be determined and becomes due,

in accordance with regulations under section 49 and with any regulations under section 1 of the Finance (No. 2) Act 1992."

Consequential amendments in ALDA 1979

2 ALDA 1979 is amended as follows.

3 In section 4 (interpretation), in subsection (1) insert at the appropriate places—

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"“general beer duty” has the meaning given by section 36(1ZAA);", and

"“high strength beer duty” has the meaning given by section 37(3);".

4 (1) Section 36 (beer: charge of excise duty) is amended as follows.

(2) After subsection (1) insert—

"(1ZAA) The duty charged by subsection (1) is referred to in this Act as “general beer duty”."

(3) In subsection (1AA), for “the duty” substitute “ general beer duty ”.

(4) In subsection (1A), after “No” insert “ general beer ”.

(5) In subsection (2)(a), for “the duty” substitute “ general beer duty ”.

(6) For the heading substitute “ **General beer duty** ”.

5 In section 36B (interpretation of provisions relating to small brewery beer), in subsection (5), after “rate of” insert “ general beer ”.

6 (1) Section 36D (rate of duty for small brewery beer from singleton breweries) is amended as follows.

(2) In subsection (2), after “rate of” insert “ general beer ”.

(3) In the heading, after “**Rate of**” insert “ **general beer** ”.

7 (1) Section 36F (rate of duty for small brewery beer from co-operated breweries) is amended as follows.

(2) In subsection (2), after “rate of” insert “ general beer ”.

(3) In the heading, after “**Rate of**” insert “ **general beer** ”.

8 (1) Section 36G (assessments where incorrectly low rate of duty applied) is amended as follows.

(2) In subsection (1)(a), for “duty is charged by section 36 above” substitute “ general beer duty is charged ”.

(3) In subsection (2)(a), for “duty is charged by section 36 above” substitute “ general beer duty is charged ”.

(4) In subsection (3)(a), for “duty charged on the beer by section 36 above” (in both places) substitute “ general beer duty charged on the beer ”.

(5) In subsection (4)—

(a) for “duty charged” substitute “ general beer duty charged ”, and

(b) in paragraph (a), for “the duty” substitute “ that duty ”.

9 In section 36H (power to vary reduced rate provisions), in subsection (1) for “excise duty” substitute “ general beer duty ”.

10 In section 41 (exemption from duty of beer produced for private consumption), for “The duty on beer produced in the United Kingdom shall not be” substitute “ Neither general beer duty on beer produced in the United Kingdom, nor high strength beer duty on beer so produced, is ”.

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11 In section 49 (beer regulations), in subsection (1)—

(a) for "the duty" (in the first place it occurs) substitute " general beer duty or high strength beer duty ", and

(b) for "the duty" (in the second place it occurs) substitute " any duty ".

12 In section 49A (drawback allowable to registered brewer), in subsection (2) for "the excise" substitute " any excise ".

VALID FROM 19/07/2011

SCHEDULE 2 U.K.

Section 26

EMPLOYMENT INCOME PROVIDED THROUGH THIRD PARTIES

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VALID FROM 19/07/2011

SCHEDULE 3 U.K.

Section 27

TAINTED CHARITY DONATIONS

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VALID FROM 19/07/2011

SCHEDULE 4 U.K.

Section 28

AMOUNTS NOT FULLY RECOGNISED FOR ACCOUNTING PURPOSES

Loan relationships

1 Part 5 of CTA 2009 (loan relationships) is amended as follows.

2 (1) Section 311 (amounts not fully recognised for accounting purposes) is amended as follows.

(2) In subsection (2)—

(a) at the end of paragraph (a) insert " and ", and

(b) for paragraphs (b) and (c) substitute—

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"(b) as a result of tax avoidance arrangements to which the company is at any time a party, an amount is (in accordance with generally accepted accounting practice) not fully recognised for the period in respect of the creditor relationship."

(3) Omit subsections (3) to (5A).

(4) In subsection (6)—

(a) in the opening words—

(i) after "section" insert " and section 312 ", and

(ii) omit ", a contribution to it or securities issued by it", and

(b) in paragraphs (a) and (b), omit ", contribution or securities".

(5) After subsection (6) insert—

"(7) For the purposes of this section arrangements are "tax avoidance arrangements" if the main purpose, or one of the main purposes, of any party to the arrangements, in entering into them, is to obtain a tax advantage.

(8) In subsection (7) "arrangements" includes any arrangements, scheme or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions.

(9) For the purposes of this section a company is to be treated as a party to a creditor relationship even though it has disposed of its rights under the relationship to another person—

(a) under a repo or stock lending arrangement, or

(b) under a transaction which is treated as not involving any disposal as a result of section 26 of TCGA 1992 (mortgages and charges not to be treated as disposals)."

3 (1) Section 312 (determination of credits and debits where amounts not fully recognised) is amended as follows.

(2) For subsection (1A) substitute—

"(1A) Subsection (1B) applies in a case where—

(a) pursuant to the arrangements mentioned in section 311(2)(b), the company becomes, or is treated as becoming, a party to a debtor relationship, and

(b) an amount is (in accordance with generally accepted accounting practice) not fully recognised for any period in respect of the debtor relationship."

(3) In subsection (1B) omit "by reference to which that condition is met".

(4) In subsection (3) for "But" substitute

"But—

(a) no debits are, as a result of this section, to be brought into account by the company in respect of the creditor relationship mentioned in section 311(2), and

(b)".

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4 In section 440 (overview of Chapter 15), in subsection (2), omit the "and" at the end of paragraph (e), and after paragraph (f) insert ", and

(g) for rules about debits arising as a result of the derecognition of creditor relationships, see section 455A."

5 After section 455 insert—

"Derecognition

455A Debits arising from derecognition of creditor relationships

(1) This section applies where—

(a) a company is at any time a party to tax avoidance arrangements,

(b) as a result of those arrangements, a creditor relationship to which the company is party, or any part of such a relationship, is (in accordance with generally accepted accounting practice) derecognised by the company, and

(c) the company continues to be a party to the creditor relationship immediately after the transaction or other event giving rise to the derecognition.

(2) No debit that would apart from this section be brought into account by the company for the purposes of this Part as a result of the derecognition is to be so brought into account.

(3) An amount that would be brought into account for the purposes of this Part as respects any matter apart from this section—

(a) is treated for the purposes of section 464(1) (priority of this Part for corporation tax purposes) as if it were so brought into account, and

(b) accordingly, may not be brought into account for any other corporation tax purposes as respects that matter.

(4) For the purposes of this section a company is to be treated as a party to a creditor relationship even though it has disposed of its rights under the relationship to another person—

(a) under a repo or stock lending arrangement, or

(b) under a transaction which is treated as not involving any disposal as a result of section 26 of TCGA 1992 (mortgages and charges not to be treated as disposals).

(5) For the purposes of this section arrangements are "tax avoidance arrangements" if the main purpose, or one of the main purposes, of any party to the arrangements, in entering into them, is to obtain a tax advantage.

(6) In subsection (5) "arrangements" includes any arrangements, scheme or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions."

6 In section 464 (priority of Part for corporation tax purposes), in subsection (4), omit the "and" at the end of paragraph (a) and after paragraph (b) insert ", and

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(c) section 455A(3) (debits arising from derecognition of creditor relationships).”

Derivative contracts

7 Part 7 of CTA 2009 (derivative contracts) is amended as follows.

8 (1) Section 599A (amounts not fully recognised for accounting purposes) is amended as follows.

(2) In subsection (2)—

(a) at the end of paragraph (a) insert “ and ”, and

(b) for paragraphs (b) and (c) substitute—

“(b) as a result of tax avoidance arrangements to which the company is at any time a party, an amount is (in accordance with generally accepted accounting practice) not fully recognised for the period in respect of the contract.”

(3) Omit subsections (3) to (5B).

(4) In subsection (6)—

(a) in the opening words, omit “, a contribution to it or securities issued by it”, and

(b) in paragraphs (a) and (b), omit “, contribution or securities”.

(5) After subsection (6) insert—

“(7) For the purposes of this section arrangements are “tax avoidance arrangements” if the main purpose, or one of the main purposes, of any party to the arrangements, in entering into them, is to obtain a tax advantage.

(8) In subsection (7)—

(a) “arrangements” includes any arrangements, scheme or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions, and

(b) “tax advantage” has the meaning given by section 1139 of CTA 2010.

(9) For the purposes of this section a company is to be treated as a party to a derivative contract even though it has disposed of its rights and liabilities under the contract to another person—

(a) under a repo or stock lending arrangement, or

(b) under a transaction which is treated as not involving any disposal as a result of section 26 of TCGA 1992 (mortgages and charges not to be treated as disposals).”

9 (1) Section 599B (determination of credits and debits where amounts not fully recognised) is amended as follows.

(2) After subsection (2) insert—

“(2A) But no debits are, as a result of this section, to be brought into account by the company in respect of the derivative contract.”

(3) After subsection (3) insert—

"(4) If—

(a) the company is, or is treated as, a party to the contract at the beginning of the period referred to in section 599A(1), and

(b) the fair value of the contract at that time is greater than the carrying value of that contract at that time,

a credit of an amount equal to the difference is to be brought into account for that period for the purposes of this Part in respect of the contract."

10 In section 689 (overview of Chapter 11), in subsection (2), omit the "and" at the end of paragraph (c), and after paragraph (d) insert ", and

(e) for rules about debits arising as a result of the derecognition of derivative contracts, see section 698A."

11 After section 698 insert—

"Derecognition

698A Debits arising from derecognition of derivative contracts

(1) This section applies where—

(a) a company is at any time a party to tax avoidance arrangements,

(b) as a result of those arrangements, a derivative contract to which the company is party, or any part of such a contract, is (in accordance with generally accepted accounting practice) derecognised by the company, and

(c) the company continues to be a party to the derivative contract immediately after the transaction or other event giving rise to the derecognition.

(2) No debit that would apart from this section be brought into account by the company for the purposes of this Part as a result of the derecognition is to be so brought into account.

(3) An amount that would be brought into account for the purposes of this Part as respects any matter apart from this section—

(a) is treated for the purposes of section 699(1) (priority of this Part for corporation tax purposes) as if it were so brought into account, and

(b) accordingly, may not be brought into account for any other corporation tax purposes as respects that matter.

(4) For the purposes of this section a company is to be treated as a party to a derivative contract even though it has disposed of its rights and liabilities under the contract to another person—

(a) under a repo or stock lending arrangement, or

(b) under a transaction which is treated as not involving any disposal as a result of section 26 of TCGA 1992 (mortgages and charges not to be treated as disposals).

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(5) For the purposes of this section arrangements are "tax avoidance arrangements" if the main purpose, or one of the main purposes, of any party to the arrangements, in entering into them, is to obtain a tax advantage.

(6) In subsection (5)—

(a) "arrangements" includes any arrangements, scheme or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions, and

(b) "tax advantage" has the meaning given by section 1139 of CTA 2010."

Consequential repeals

12 In consequence of the amendments made by this Schedule, omit—

(a) in Schedule 30 to FA 2009, paragraph 2(1) to (6), and

(b) in Schedule 5 to F(No.2)A 2010, paragraphs 1 and 3.

Commencement

13 (1) The amendments made by this Schedule have effect in relation to periods of account beginning on or after 6 December 2010.

(2) But, for the purposes of sub-paragraph (1), a period of account beginning before, and ending on or after, 6 December 2010 is to be treated as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate periods of account.

(3) The following provisions of CTA 2009 do not have effect where they apply by reason of tax avoidance arrangements to which the company became a party before 23 March 2011—

(a) section 312(3)(a) (as inserted by paragraph 3(4) of this Schedule);

(b) section 599B(2A) (as inserted by paragraph 9(2) of this Schedule);

(c) section 599B(4) (as inserted by paragraph 9(3) of this Schedule).

VALID FROM 19/07/2011

SCHEDULE 5 U.K.

Section 30

GROUP MISMATCH SCHEMES

Insertion of new Part 21B of CTA 2010 and consequential amendments

1 In section 1(4) of CTA 2010 (overview of Act), omit the "and" at the end of paragraph (h), and after paragraph (i) insert—

"(j) group mismatch schemes (see Part 21B)."

2 After Part 21A of that Act insert—

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"PART 21B U.K.

GROUP MISMATCH SCHEMES

Losses and profits from group mismatch schemes to be disregarded

938A (1) This section applies to a company that—
(a) is (at any time) a party to a group mismatch scheme, and
(b) is a member of the scheme group.

(2) No scheme loss or profit made by the company in any accounting period in relation to the scheme is to be brought into account as a debit or credit for the purposes of Part 5 of CTA 2009 (loan relationships) or Part 7 of that Act (derivative contracts).

(3) An amount that would, apart from this section, be brought into account for the purposes of Part 5 or 7 of that Act as respects any matter—
(a) is treated, for the purposes of section 464(1) or (as the case may be) 699(1) of that Act (priority of Part 5 or 7 for corporation tax purposes) as if it were so brought into account, and
(b) accordingly, may not be brought into account for any other corporation tax purposes as respects that matter.

Meaning of "a group mismatch scheme" and "the scheme group"

938B (1) A scheme is "a group mismatch scheme" if—
(a) the parties to the scheme are, or include, members of the same group, and
(b) condition A or B is met.

(2) Condition A is that, at the time the scheme is entered into, there is no practical likelihood that the scheme will fail to secure a relevant tax advantage of £2 million or more.

(3) The Treasury may by order substitute a higher amount for the amount for the time being specified in subsection (2).

(4) Any such substitution is to have effect in relation to schemes entered into on or after the day on which the order comes into force.

(5) Condition B is that—
(a) the purpose, or one of the main purposes, of any member of the scheme group in entering into the scheme is to obtain the chance of securing a relevant tax advantage (of any amount), and
(b) at the time the scheme is entered into—
(i) there is no chance that the scheme will secure a relevant tax disadvantage, or
(ii) there is such a chance, but the expected value of the scheme is nevertheless a positive amount.

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(6) If, at the time the company enters into the scheme, there are chances that the scheme would, if carried out, secure different relevant tax advantages or disadvantages in different circumstances, the amounts and probabilities of each must be taken into account in determining the expected value of the scheme.

(7) In determining whether condition A or B is met, it is to be assumed that the parties to the scheme carry it out.

(8) Where, at the time the scheme is entered into, the length of the scheme period is uncertain, condition A or B is met if it would be met on any reasonable assumption as to the length of the scheme period.

(9) In determining whether condition A or B is met, section 938A (scheme profits and losses to be left out of account) is to be disregarded.

(10) In this Part "the scheme group" means the group mentioned in subsection (1)(a).

Meaning of "scheme loss" and "scheme profit"

938C(1) A loss or profit made by a company in an accounting period is a "scheme loss" or "scheme profit" in relation to a group mismatch scheme if the loss or profit—

(a) arises from a transaction, or series of transactions, that forms part of the scheme,

(b) is, or is comprised in, an amount that is brought into account as a debit or credit for the purposes of Part 5 or 7 of CTA 2009, and

(c) meets the first or second asymmetry condition.

(2) The first asymmetry condition is that the loss or profit affects the amount of any relevant tax advantage secured by the scheme.

(3) Where, at the end of the accounting period—

(a) it is not certain whether the scheme will secure a relevant tax advantage, or

(b) it is not certain what the amount of the relevant tax advantage secured by the scheme will be,

a loss or profit is to be treated as meeting the first asymmetry condition if, at that time, there is a chance that the scheme will secure a relevant tax advantage and that the loss or profit will affect its amount.

(4) Where—

(a) a loss or profit meets the conditions in subsection (1)(a) and (b), and

(b) a part, but not the whole, of the loss or profit meets the first asymmetry condition,

only that part of the loss or profit is a "scheme loss" or "scheme profit".

(5) The second asymmetry condition is that the loss or profit—

(a) does not meet the first asymmetry condition, but

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(b) arises from a transaction, or series of transactions, that might (if events had turned out differently) have given rise to a loss or profit that would have done so.

(6) References in this section to a loss or profit include a loss or profit arising in respect of interest or expenses.

(7) In determining whether the condition in subsection (1)(b) or the first or second asymmetry condition is met, section 938A (scheme profits and losses to be left out of account) is to be disregarded.

Meaning of "relevant tax advantage" etc and "the scheme period"

938D (1) In this Part "relevant tax advantage", in relation to a scheme, means an economic profit that—

(a) is made by the scheme group over the scheme period,

(b) meets the condition in subsection (3), and

(c) is not negligible.

(2) In this Part "relevant tax disadvantage", in relation to a scheme, means an economic loss that—

(a) is made by the scheme group over the scheme period,

(b) meets the condition in subsection (3), and

(c) is not negligible.

(3) The condition is that the economic profit or loss arises as a result of asymmetries in the way different members of the scheme group bring, or do not bring, amounts into account as debits and credits for the purposes of Part 5 or 7 of CTA 2009.

(4) A reference in this section to asymmetries includes, in particular—

(a) asymmetries relating to quantification, and

(b) asymmetries relating to timing.

(5) In this section—

(a) a reference to an economic profit includes an increase in an economic profit and a decrease in an economic loss, and

(b) a reference to an economic loss includes an increase in an economic loss and a decrease in an economic profit.

(6) In this Part "the scheme period", in relation to a scheme, means the period during which the scheme has effect.

Meaning of "group"

938E (1) For the purposes of this Part a company ("company A") is a member of a group, in relation to a scheme, if any other company is at any time in the scheme period associated with company A.

(2) The group consists of company A and each company in relation to which the condition in subsection (1) is met.

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(3) For the purposes of this section a company ("company B") is associated with company A at a time ("the relevant time") if any of the following five conditions is met.

(4) The first condition is that the financial results of company A and company B, for a period that includes the relevant time, meet the consolidation condition.

(5) The second condition is that there is a connection between company A and company B for the accounting period of company A in which the relevant time falls.

(6) The third condition is that, at the relevant time, company A has a major interest in company B or company B has a major interest in company A.

(7) The fourth condition is that—
  (a) the financial results of company A and a third company, for a period that includes the relevant time, meet the consolidation condition, and
  (b) at the relevant time the third company has a major interest in company B.

(8) The fifth condition is that—
  (a) there is a connection between company A and a third company for the accounting period of company A in which the relevant time falls, and
  (b) at the relevant time the third company has a major interest in company B.

(9) In this section, the financial results of any two companies for any period meet "the consolidation condition" if—
  (a) they are required to be comprised in group accounts,
  (b) they would be required to be comprised in such accounts but for the application of an exemption, or
  (c) they are in fact comprised in such accounts.

(10) In subsection (9), "group accounts" means accounts prepared under—
  (a) section 399 of the Companies Act 2006, or
  (b) any corresponding provision of the law of a territory outside the United Kingdom.

(11) The following provisions apply for the purposes of this section—
  sections 466 to 471 of CTA 2009 (companies connected for accounting period), and
  sections 473 and 474 of CTA 2009 (meaning of "major interest").

Meaning of references to economic profits and losses

938H (1) An economic profit or loss is to be computed for the purposes of this Part taking into account, in particular—
  (a) profits and losses made as a result of the operation of the Corporation Tax Acts, and

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(b) any adjustments required to reflect the time value of money.

(2) A reference in this Part to an economic profit or loss made by the scheme group over the scheme period is to an economic profit or loss made in that period by the members of the group considered together.

(3) In determining for the purposes of this Part the amount of an economic profit or loss made by the scheme group over the scheme period, profits and losses made by a member of the group are to be taken into account only to the extent that they are attributable to times at which the member is a party to the scheme.

Tax capacity assumption

938G(1) This section applies for the purpose of determining whether a scheme will, or might, secure a relevant tax advantage.

(2) The economic profits and losses made by the scheme group over the scheme period must be calculated on the assumption that each company that is at any time a party to the scheme—

(a) obtains the full tax benefit of any loss made by that company in relation to a loan relationship or a derivative contract during the period, and

(b) incurs the full tax cost of any profit made by that company in relation to a loan relationship or a derivative contract during the period.

(3) The "full tax benefit" of a loss is the reduction in the liability of the company to corporation tax that would result if—

(a) the loss were brought into account as a debit or as a reduction in a credit for the purposes of Part 5 or 7 of CTA 2009, and

(b) the company's profits chargeable to corporation tax, disregarding the loss, were equal to the debit (or the reduction in the credit) determined by reference to the loss.

(4) The "full tax cost" of a profit is the increase in the liability of the company to corporation tax that would result if—

(a) the profit were brought into account as a credit or as a reduction in a debit for the purposes of Part 5 or 7 of CTA 2009, and

(b) the company's profits chargeable to corporation tax, disregarding the profit, were nil.

Meaning of "scheme"

938H In this Part "scheme" includes any scheme, arrangements or understanding of any kind whatever, whether or not legally enforceable, involving a single transaction or two or more transactions.

Schemes involving repos or quasi-repos

938I(1) This section applies where—

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(a) a scheme includes an arrangement under which a member of the scheme group has a debtor repo or a debtor quasi-repo, and

(b) the advance under that arrangement is received, directly or indirectly, from a member of the scheme group.

(2) References in this Part to amounts brought into account, or not brought into account, as debits or credits for the purposes of Part 5 of CTA 2009 include amounts brought into account, or not brought into account, for the purposes of any other provision so far as it applies the charge to corporation tax on income to the repayment of the advance.

(3) Sections 548 and 549 of CTA 2009 (meaning of debtor repo and debtor quasi-repo) apply for the purposes of this section.

(4) For the purposes of subsection (2) "the repayment of the advance" means the consideration given on the purchase of securities mentioned in condition D in section 548 or 549 of CTA 2009.

Schemes involving finance arrangements

938J (1) This section applies in relation to a scheme if—

(a) it includes a type 1, 2 or 3 finance arrangement under which a member of the scheme group is the borrower, and

(b) the advance under that arrangement is received, directly or indirectly, from a member of the scheme group.

(2) References in this Part to amounts brought into account, or not brought into account, as debits or credits for the purposes of Part 5 of CTA 2009 include amounts brought into account, or not brought into account, for the purposes of any other provision so far as it applies the charge to corporation tax on income to the repayment of the advance.

(3) Sections 758, 763 and 767 of this Act (meaning of type 1, 2 and 3 finance arrangements) apply for the purposes of this section.

(4) For the purposes of subsection (2) "the repayment of the advance" means the payments mentioned in condition A in section 758, 763 or 767 of this Act.

Trading income

938K References in this Part to amounts brought into account, or not brought into account, as debits or credits for the purposes of Part 5 or 7 of CTA 2009 include amounts brought into account, or not brought into account, as expenses or receipts of a trade by virtue of section 297 or 573 of that Act (trading credits and debits to be brought into account under Part 3).

Foreign companies and foreign permanent establishments

938L (1) References in this Part to a company not bringing amounts into account as debits or credits for the purposes of Part 5 or 7 of CTA 2009 do not include the company not bringing amounts into account by virtue of—

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(a) the company being non-UK resident, or
(b) an election under section 18A of CTA 2009 (profits or losses of foreign permanent establishments).

(2) See section 938M for provision about controlled foreign companies.

Controlled foreign companies

938M (1) Paragraph 5(1) of Schedule 24 to ICTA (assumption that a controlled foreign company is not a member of any group for the purposes of any provision of the Tax Acts) does not apply for the purposes of this Part.

(2) References in this Part to a company bringing amounts into account, or not bringing them into account, as debits or credits for the purposes of Part 5 or 7 of CTA 2009 include bringing amounts into account, or not bringing them into account, as debits or credits under that Part in determining the chargeable profits of the company (or in determining that there were no such profits) for the purposes of Chapter 4 of Part 17 of ICTA (controlled foreign companies).

Priority

938N For the purposes of this Part the following provisions are to be treated as of no effect—
(a) section 441 of CTA 2009 (loan relationships for unallowable purposes);
(b) section 690 of that Act (derivative contracts for unallowable purposes);
(c) Part 4 of TIOPA 2010 (transfer pricing);
(d) Part 6 of that Act (tax arbitrage);
(e) Part 7 of that Act (tax treatment of financing costs and income).”

3 (1) Sections 938 to 940 of that Act are renumbered as follows—
(a) section 938 becomes section 940A,
(b) section 939 becomes section 940B, and
(c) section 940 becomes section 940C.

(2) In section 940A (as so renumbered)—
(a) in subsection (2), for “939” substitute “ 940B ”,
(b) in subsection (3), for “940” substitute “ 940C ”.

4 (1) Schedule 4 to that Act (index of defined expressions) is amended as follows.

(2) In the entry for “the predecessor (in Chapter 1 of Part 24)”—
(a) for “24” substitute “ 22 ”, and
(b) for “939(4)” substitute “ 940B(4) ”.

(3) In the entry for “the successor (in Chapter 1 of Part 22)”, for “939(4)” substitute “ 940B(4) ”.

(4) In the entry for “trade (in Chapter 1 of Part 22)”, for “939(5)” substitute “ 940B(5) ”.

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(5) In the entry for "transfer of a trade (in Chapter 1 of Part 24)"—
(a) for "24" substitute " 22 ", and
(b) for "939(2)" substitute " 940B(2) ".

(6) In the entry for "the transferred trade (in Chapter 1 of Part 24)"—
(a) for "24" substitute " 22 ", and
(b) for "939(3)" substitute " 940B(3) ".

(7) At the appropriate places insert—

"economic loss (in Part 21B)	section 938F"
"economic profit (in Part 21B)	section 938F"
"group (in Part 21B)	section 938E"
"a group mismatch scheme (in Part 21B)	section 938B"
"relevant tax advantage (in Part 21B)	section 938D"
"relevant tax disadvantage (in Part 21B)	section 938D"
"scheme (in Part 21B)	section 938H"
"the scheme group (in Part 21B)	section 938B"
"scheme loss (in Part 21B)	section 938C"
"the scheme period (in Part 21B)	section 938D"
"scheme profit (in Part 21B)	section 938C"

5 (1) In section 147(6) of TIOPA 2010 (transfer pricing: basic rule), omit the "and" at the end of paragraph (e) and at the end of paragraph (f) insert ", and
(g) section 938N of CTA 2010 (this Part treated as of no effect for the purposes of Part 21B of CTA 2010 (group mismatch schemes))."

(2) In section 231 of that Act (tax arbitrage: overview), after subsection (7) insert—

"(8) This Part has effect subject to section 938N of CTA 2010 (this Part treated as of no effect for the purposes of Part 21B of CTA 2010 (group mismatch schemes))."

Commencement of new Part 21B of CTA 2010 and consequential amendments

6 (1) The amendments made by paragraphs 1, 2 and 5 have effect in relation to schemes entered into at any time (including any time before the commencement date).

(2) But section 938A in Part 21B of CTA 2010 (as inserted by paragraph 2) does not apply to—
(a) scheme losses or profits that relate to a time before the commencement date, or
(b) scheme profits that relate to a time on or after that date but are made in relation to a scheme entered into before that date.

(3) In this Schedule "the commencement date" means the day on which this Act is passed.

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Repeal of sections 418 to 419 of CTA 2009

7 (1) Omit sections 418 to 419 of CTA 2009 (loan relationships treated differently by connected debtor and creditor).

(2) In consequence of the repeals made by sub-paragraph (1), omit—
- (a) in section 748ZA of ICTA (as inserted by paragraph 5 of Schedule 12 to this Act), subsection (5)(a),
- (b) in Schedule 30 to FA 2009, paragraph 4,
- (c) in section 416 of CTA 2009, subsection (4),
- (d) in Schedule 1 to CTA 2010, paragraph 615, and
- (e) section 29 of this Act.

(3) The repeals made by this paragraph have effect in relation to loan relationships to which a company is a party (or to which it is treated as a party under section 418(6A) of CTA 2009) on or after the commencement date.

(4) But amounts are to continue to be brought into account for the purposes of Part 5 of CTA 2009 disregarding the repeals made by sub-paragraph (1) if the amounts relate to a time before the commencement date; and the repeals made by sub-paragraph (2) have effect accordingly.

Repeal of section 453 of CTA 2009

8 (1) Omit section 453 of CTA 2009 (connected parties deriving benefit from creditor relationships).

(2) That repeal has effect in relation to loan relationships to which a company is a party on or after the commencement date.

(3) But amounts are to continue to be brought into account for the purposes of Part 5 of CTA 2009 disregarding that repeal if the amounts relate to a time before the commencement date.

VALID FROM 19/07/2011

SCHEDULE 6 U.K.

Section 32

LEASING BUSINESSES

Businesses carried on by companies alone

1 Chapter 3 of Part 9 of CTA 2010 (sale of lessors: leasing business carried on by a company alone) is amended as follows.

2 (1) Section 387 ("business of leasing plant or machinery") is amended as follows.

(2) In subsection (3), for "qualifying leased plant or machinery" substitute " plant or machinery falling within subsection (7) ".

(3) For subsection (5) substitute—

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"(5) Condition B is that at least half of the relevant company's income in the past 12 months derives from plant or machinery falling within subsection (7)."

(4) For subsections (7) and (8) substitute—

"(7) Plant or machinery falls within this subsection if—

(a) it is or at any time in the past 12 months has been leased out by the relevant company or a qualifying associate,

(b) the lease under which it is or has been leased out is a plant or machinery lease but not an excluded lease of background plant or machinery for a building (see section 437(3)), and

(c) if the plant or machinery satisfies paragraph (a) only because it is or has been leased out by a qualifying associate, the lessee under the lease is or was someone other than the relevant company.

(8) For the purposes of subsection (7)—

(a) plant or machinery is "leased out" by a person if it is subject to a plant or machinery lease under which that person is a lessor,

(b) "associate" means a person connected with the relevant company (see also subsection (9)), and

(c) a person is a "qualifying associate" if the person is an associate at the start of the relevant day or at any earlier time in the past 12 months (whether or not a time when the plant or machinery was leased out by the person).

(9) If the relevant company is owned by a consortium or is a qualifying 75% subsidiary of a company owned by a consortium, the reference in subsection (8)(b) to a person connected with the relevant company also includes—

(a) any member of the consortium, and

(b) any person connected with such a member.

(10) A reference in this section to the past 12 months is to the period of 12 months ending with the relevant day."

3 In section 389 (provision supplementing section 388), in subsection (5)(b), for "market value" substitute " ascribed value ".

4 In section 390 (relevant plant or machinery value where relevant company lessee under long funding lease etc), in subsection (2), for "market value" substitute " ascribed value ".

5 In section 391 (relevant company's income for condition B in section 387), in subsection (5), for "qualifying leased plant or machinery" substitute " plant or machinery falling within section 387(7) ".

6 (1) Section 398G (transfers into and out of A) is amended as follows.

(2) Omit subsection (2).

(3) For subsection (3) substitute—

"(3) If any event occurs that requires A to bring the disposal value of plant or machinery into account under Part 2 of CAA 2001, that Part has effect

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as if the disposal value that A is required to bring into account were the higher of—

(a) the disposal value determined in accordance with that Part, and

(b) the ascribed value of the plant or machinery.

(4) Section 265 of CAA 2001 (successions) is subject to this section.”

7 In section 401 (provisions supplementing section 400), in subsection (5)(b), for “market value” substitute “ ascribed value ”.

8 In section 402 (“PM” where relevant company lessee under long funding lease etc), in subsection (2), for “market value” substitute “ ascribed value ”.

9 (1) Section 403 (“TWDV” in section 399) is amended as follows.

(2) In subsection (2), for paragraph (b) substitute—

“(b) in calculating the amounts of unrelieved qualifying expenditure mentioned in subsection (1)(a) to (c), any part of those amounts that is relevant new expenditure is to be left out of account.”

(3) After that subsection insert—

“(3) Relevant new expenditure” means—

(a) expenditure attributable to plant or machinery acquired by the relevant company on the relevant day except for plant or machinery acquired on that day from an associated company, and

(b) expenditure incurred on the relevant day but attributable to plant or machinery acquired by the relevant company before that day.

(4) In subsection (3)—

(a) “acquired” includes brought into use or made available for use for the first time for the purposes of the business, and

(b) a reference to anything acquired or incurred includes anything treated as acquired or treated as incurred.”

Businesses carried on by companies in partnership

10 Chapter 4 of Part 9 of CTA 2010 (sale of lessors: leasing business carried on by a company in partnership) is amended as follows.

11 (1) Section 410 (“business of leasing plant or machinery”) is amended as follows.

(2) In subsection (2), for “qualifying leased plant or machinery” substitute “ plant or machinery falling within subsection (6) ”.

(3) For subsection (4) substitute—

“(4) Condition B is that at least half of the partnership's income in the past 12 months derives from plant or machinery falling within subsection (6).”

(4) For subsections (6) and (7) substitute—

“(6) Plant or machinery falls within this subsection if—

(a) it is or at any time in the past 12 months has been leased out by the partnership or a qualifying associate,

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(b) the lease under which it is or has been leased out is a plant or machinery lease but not an excluded lease of background plant or machinery for a building (see section 437(3)), and

(c) if the plant or machinery satisfies paragraph (a) only because it is or has been leased out by a qualifying associate, the lessee under the lease is or was someone other than the partnership.

(7) For the purposes of subsection (6)—

(a) plant or machinery is "leased out" by a person if it is subject to a plant or machinery lease under which that person is a lessor,

(b) "associate" means a person who is a partner in the partnership or connected with a partner in the partnership (see also subsection (8)), and

(c) a person is a "qualifying associate" if the person is an associate at the start of the relevant day or at any earlier time in the past 12 months (whether or not a time when the plant or machinery was leased out by the person).

(8) In relation to a corporate partner who is owned by a consortium or is a qualifying 75% subsidiary of a company owned by a consortium, the reference in subsection (7)(b) to a person connected with a partner also includes—

(a) any member of the consortium, and

(b) any person connected with such a member.

(9) A reference in this section to the past 12 months is to the period of 12 months ending with the relevant day."

12 In section 412 (provision supplementing section 411), in subsection (5)(b), for "market value" substitute " ascribed value ".

13 In section 413 (relevant plant or machinery value where partnership lessee under long funding lease etc), in subsection (2), for "market value" substitute " ascribed value ".

14 In section 414 (partnership's income for condition B in section 410), in subsection (5), for "qualifying leased plant or machinery" substitute " plant or machinery falling within section 410(6) ".

15 (1) Section 421 (the amount of the income: the basic amount) is amended as follows.

(2) In subsection (6), for paragraph (b) substitute—

"(b) in calculating the amounts of unrelieved qualifying expenditure mentioned in subsection (5)(a) to (c), any part of those amounts that is relevant new expenditure is to be left out of account."

(3) After that subsection insert—

"(6A) Relevant new expenditure" means—

(a) expenditure attributable to plant or machinery acquired by the partnership on the relevant day except for plant or machinery acquired on that day from a qualifying company, and

(b) expenditure incurred on the relevant day but attributable to plant or machinery acquired by the partnership before that day.

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(6B) In subsection (6A)—

(a) "acquired" includes brought into use or made available for use for the first time for the purposes of the business, and

(b) a reference to anything acquired or incurred includes anything treated as acquired or treated as incurred."

Anti-avoidance provisions

16 Chapter 5 of Part 9 of CTA 2010 (sales of lessors: anti-avoidance provisions) is amended as follows.

17 (1) Section 434 (introduction to sections 435 and 436) is amended as follows.

(2) In subsection (2), for "question A or B" substitute " question A, B or C ".

(3) After subsection (4) insert—

"(5) Question C is the question of the amount of any disposal value to be substituted by section 398G(3)."

18 (1) Section 435 (disregard of increases or decreases in balance sheet amounts) is amended as follows.

(2) In subsection (1), for paragraph (a) substitute—

"(a) an amount mentioned in subsection (1A) is to be ascertained for the purpose of determining a question as to the application of Chapter 3 or 4,".

(3) After that subsection insert—

"(1A) The amounts are—

(a) the relevant plant or machinery value,

(b) the value of plant or machinery falling within section 387(7) or 410(6),

(c) the relevant company's or partnership's income in the period of 12 months ending with the relevant day,

(d) the amount of PM,

(e) the amount of TWDV,

(f) the amount of any disposal value to be substituted by section 398G(3), and

(g) any underlying amount required to calculate or verify an amount mentioned in any of the preceding paragraphs."

(4) In subsection (2)—

(a) omit "or" at the end of paragraph (b), and

(b) at the end of paragraph (c) insert ", or

(d) the amount of any disposal value to be substituted by section 398G(3) would be reduced."

(5) In subsection (3), for "which falls (or would fall) to be shown in the balance sheet in respect of plant or machinery" substitute " to be ascertained ".

(6) Accordingly, in the heading of that section, for "**in balance sheet amounts**" substitute " **in certain amounts** ".

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19 In section 436 (balance sheet amounts determined on assumption company has no liabilities), after subsection (6) insert—

"(7) Except for subsection (6), this section applies to a partnership as it applies to a company, and references to "company" are to be read accordingly."

General interpretation of sales of lessors Chapters

20 Chapter 6 of Part 9 of CTA 2010 (sales of lessors: general interpretation) is amended as follows.

21 In section 437, omit subsection (9) (definition of "market value").

22 After that section insert—

"437A Determining the ascribed value of plant or machinery

(1) For the purposes of the sales of lessors Chapters, the ascribed value of plant or machinery at any given time ("the relevant time") is the value determined in accordance with this section.

(2) Subsection (3) applies to plant or machinery if—
(a) it is subject to a plant or machinery lease at the relevant time,
(b) the relevant company or partnership is a lessor under the lease, and
(c) subsection (5) does not apply to it.

(3) The ascribed value of plant or machinery to which this subsection applies is the higher of—
(a) the market value of the plant or machinery at the relevant time, and
(b) the present value at that time of the lease referred to in subsection (2).

(4) Subsection (5) applies to plant or machinery if—
(a) it is subject to a plant or machinery lease at the relevant time,
(b) the lease is an equipment lease within the meaning of Chapter 14 of Part 2 of CAA 2001 (fixtures),
(c) the relevant company or partnership is the equipment lessor in respect of the lease (see section 174 of that Act), and
(d) the equipment lessor is treated at that time as the owner of the plant or machinery by virtue of an election made in reliance on section 177(1)(a)(i) of that Act (which permits elections if the conditions in section 178 are met in relation to the lease).

(5) The ascribed value of plant or machinery to which this subsection applies is the present value at the relevant time of the lease referred to in subsection (4).

(6) The ascribed value of plant or machinery to which neither subsection (3) nor subsection (5) applies is the market value of the plant or machinery at the relevant time.

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437B Section 437A: supplementary

(1) This section supplements section 437A.

(2) Market value is to be determined on the assumption of a disposal by an absolute owner free from all leases and other encumbrances (including any agreement or arrangement that is or includes a plant or machinery lease).

(3) If plant or machinery is a fixture, its market value is so much of the market value of the relevant land and the fixture together as is attributable to the fixture on a just and reasonable apportionment.

(4) "Relevant land" has the meaning given in section 173(2) of CAA 2001.

437C Present value of a lease

(1) For the purposes of section 437A, the present value of a lease is the present value of the amounts mentioned in subsection (2).

(2) The amounts are—
- (a) the amounts payable under the lease after the relevant time, and
- (b) any residual amount.

(3) Subsection (2)(a) does not apply to amounts payable by the lessor or to amounts that represent—
- (a) charges for services, or
- (b) qualifying UK or foreign tax to be paid by the lessor.

(4) Present value is to be calculated by using the interest rate implicit in the lease.

(5) The interest rate implicit in the lease is the interest rate that would apply in accordance with normal commercial criteria, including, in particular, generally accepted accounting practice (where applicable).

(6) But if a rate cannot be determined in accordance with subsection (5), the interest rate implicit in the lease is taken to be 1% above LIBOR.

(7) For this purpose—
- (a) LIBOR means the London interbank offered rate on the applicable day for deposits for a term of 12 months in the applicable currency,
- (b) the applicable day is the day comprising or including the relevant time (or, if that day is not a business day, the first business day after it), and
- (c) the applicable currency is the currency in which payments under the lease are payable.

(8) If—
- (a) the lessee has an option to continue the lease for a period after expiry of its initial term, and

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(b) it is reasonably certain at the relevant time that the lessee will exercise that option,

references in this section to amounts payable under the lease include amounts payable under the lease as continued for any such period.

(9) If the lease also relates to land or assets that are not plant or machinery, the present value of the lease is so much of the present value of the amounts mentioned in subsection (2) as is attributable to the plant or machinery on a just and reasonable apportionment.

(10) In this section, "qualifying UK or foreign tax" and "residual amount" have the meaning given in section 70YE of CAA 2001."

Consequential amendments

23 In section 267A of CAA 2001 (restriction on effect of election), in subsection (2), for "is qualifying leased plant or machinery" substitute " falls within section 387(7) of CTA 2010 (if the business is carried on otherwise than in partnership) or within section 410(6) of that Act (if the business is carried on in partnership) ".

24 In section 948 of CTA 2010 (modified application of CAA 2001), in subsection (6), before paragraph (a) insert—

"(za) section 398G of this Act (sale of lessors: transfers into and out of A after election under section 398A),".

25 (1) Section 950 of CTA 2010 (transfers of trades involving business of leasing plant or machinery) is amended as follows.

(2) In subsection (5), for the words from "its market value" to the end substitute "the higher of—

(a) its ascribed value immediately before the transfer of the trade, and

(b) the disposal value that the predecessor would be required to bring into account under Part 2 of CAA 2001 in respect of it as a result of the transfer of the trade."

(3) In subsection (6)—

(a) before the definition of "business of leasing plant or machinery" insert—

""ascribed value", in relation to plant or machinery, is to be read in accordance with section 437A (but reading the reference to the relevant company or partnership as a reference to the predecessor);", and

(b) omit the definition of "market value".

26 (1) In Schedule 4 to CTA 2010 (index of defined expressions), omit the entry for "market value (in relation to plant or machinery) (in Chapters 3 to 6 of Part 9)".

(2) In that Schedule, insert the following entry at the appropriate place—

"ascribed value (in relation to plant or machinery) (in Chapters 3 to 6 of Part 9)	section 437A".

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Application of new provisions

27 (1) The amendments made by paragraphs 2 to 5 and 7 to 15, and the general paragraphs so far as relevant to those amendments, have effect where the relevant day (as defined for the purposes of the amended provision) falls on or after 23 March 2011.

(2) The amendment made by paragraph 6(3), and the general paragraphs so far as relevant to that amendment, have effect in relation to disposal events taking place on or after 23 March 2011 (including in cases where the election was made before that date).

(3) The amendments made by paragraphs 6(2) and 23 to 25, and the general paragraphs so far as relevant to those amendments, have effect in relation to transfers or successions taking place on or after 23 March 2011 (including, in the case of the amendment made by paragraph 6(2), where the election was made before that date).

(4) The general paragraphs are—
- (a) paragraph 1,
- (b) paragraphs 16 to 22, and
- (c) paragraph 26.

VALID FROM 19/07/2011

SCHEDULE 7 U.K.

Section 34

INVESTMENT COMPANIES

Amendments of Chapter 4 of Part 2 of CTA 2010

1 (1) Section 6 of CTA 2010 (UK resident company operating in sterling and preparing accounts in another currency) is amended as follows.

(2) In subsection (1), after "company" insert " (other than a UK resident investment company) ".

(3) After that subsection insert—

"(1A) This section also applies if, for a period of account, a UK resident investment company—
- (a) in accordance with generally accepted accounting practice, prepares its accounts in a currency other than sterling, and
- (b) either—
  - (i) has sterling as its designated currency for that period of account (see sections 9A and 9B), or
  - (ii) if it does not have a designated currency for that period, in those accounts identifies sterling as its functional currency in accordance with generally accepted accounting practice."

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2 (1) Section 7 of that Act (UK resident company operating in currency other than sterling and preparing accounts in another currency) is amended as follows.

(2) In subsection (1), in paragraph (a), after "company" insert " (other than a UK resident investment company) ".

(3) After that subsection insert—

"(1A) This section also applies if, for a period of account, a UK resident investment company—

(a) in accordance with generally accepted accounting practice, prepares its accounts in one currency,

(b) either—

(i) has another currency as its designated currency for that period (see sections 9A and 9B), or

(ii) if it does not have a designated currency for that period, in those accounts identifies another currency as its functional currency in accordance with generally accepted accounting practice, and

(c) that other currency is not sterling."

(4) In subsection (2), in step 1, for "functional" substitute " relevant ".

(5) In subsection (3) for "functional" substitute " relevant ".

(6) After that subsection insert—

"(4) In subsections (2) and (3) "the relevant currency" means the currency other than sterling referred to in subsection (1)(c) or (1A)(c)."

3 After section 9 of that Act insert—

"9A Designated currency of a UK resident investment company

(1) The designated currency of a UK resident investment company is the currency which the company elects as its designated currency.

(2) A company ("X") may elect a currency as its designated currency only if—

(a) at the time the election is made condition A or B is met, or

(b) the election is made in the period (if any) beginning with the company's incorporation and ending immediately before its first accounting period.

(3) But an election made under subsection (2)(b) is void if, at the time X's first accounting period begins, neither condition A nor condition B is met.

(4) Condition A is that a significant proportion of X's assets and liabilities are denominated in the currency.

(5) Condition B is that—

(a) the currency is the functional currency of another company, and

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(b) it is reasonable to assume that the two companies will meet the consolidation condition.

(6) X and another company ("Y") meet the consolidation condition at any time if—

(a) for a period which includes that time, the financial results of X are comprised in financial statements of Y's group prepared in accordance with acceptable accounting practice, or

(b) if no financial statements of the group are prepared in accordance with acceptable accounting practice for a period which includes that time, the financial results of X would be comprised in financial statements of Y's group for a period which includes that time if such statements were prepared in accordance with international accounting standards.

(7) In subsection (6)—

"financial statements of the group" means consolidated financial statements of Y and its subsidiaries (within the meaning of section 351 of TIOPA 2010),

"Y's group" means a group of which Y is the ultimate parent (and for this purpose "group" and "ultimate parent" have the same meaning as they have for the purposes of Part 7 of that Act (see sections 338 and 339)), and

"acceptable accounting practice" means—

(a) international accounting standards,

(b) UK generally accepted accounting practice, or

(c) accounting practice which is generally accepted in the country in which Y is resident.

(8) A currency is the designated currency of X for a period of account if the election in respect of that currency has effect throughout that period (see section 9B).

9B Period for which an election under section 9A has effect

(1) An election under section 9A(2)(a) takes effect at the beginning of the day specified in the election as the day on which it takes effect (which must be later than the day on which the election is made).

(2) An election under section 9A(2)(b) is treated as taking effect at the time of X's incorporation.

(3) An election under section 9A(2)(a) may be revoked by notice of the revocation being given to an officer of Revenue and Customs before the election takes effect.

(4) Subject to that, an election has effect until immediately before—

(a) the day on which another election by X takes effect, or

(b) the day on which a revocation event occurs,

(whichever first occurs).

(5) A revocation event occurs in a period of account (other than a period to which subsection (6) applies) if, at any time during that period—

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(a) it is not the case that a significant proportion of X's assets and liabilities are denominated in the currency to which the election relates, and

(b) it is not the case that the currency is the functional currency of another company which, with X, met the consolidation condition (within the meaning of section 9A(6)) at any time during the preceding period of account.

(6) Where the election is made under section 9A(2)(b), a revocation event occurs in the period of account in which X's first accounting period begins only if—

(a) Condition A and not Condition B is satisfied at the beginning of that accounting period, and

(b) the condition in subsection (5)(a) is met at any time during the period of account but after the first accounting period begins.

(7) Subsections (8) and (9) apply if a period of account of X ("the straddling period of account") begins before, and ends on or after, the day on which—

(a) an election under section 9A(2)(a) takes effect, or

(b) a revocation event occurs.

(8) It is to be assumed, for the purposes of this Chapter, that the straddling period of account consists of two separate periods of account—

(a) the first beginning with the straddling period of account and ending immediately before that day, and

(b) the second beginning with that day and ending with the straddling period of account,

and X's profits and losses are to be computed accordingly for the purposes of corporation tax.

(9) For those purposes, it is to be assumed—

(a) that X prepares its accounts for each of the two periods in the same currency, and otherwise on the same basis, as it prepares its accounts for the straddling period of account, and

(b) that if the accounts for the straddling period of account, in accordance with generally accepted accounting practice, identify a currency as X's functional currency, the accounts for each of the two periods do likewise.

(10) In this section references to "X" are to be construed in accordance with section 9A."

4 In section 17 of that Act (interpretation of Chapter 4 of Part 2), after subsection (3) insert—

"(3A) In this Chapter "investment company" means a company whose business consists wholly or mainly in the making of investments and the principal part of whose income is derived from those investments."

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Amendments of ICTA

5 In Schedule 24 to ICTA (assumptions for calculating chargeable profits, creditable tax and corresponding United Kingdom tax of foreign companies), in paragraph 4 (reliefs under Corporation Tax Acts dependent upon the making of a claim or election), after sub-paragraph (2) insert—

"(2B) For the purposes of sub-paragraph (1) an election under section 9A of CTA 2010 (designated currency of a UK resident investment company) is not to be regarded as an election upon which relief under the Corporation Tax Acts is dependent, and sub-paragraph (2)(b) does not apply in relation to such an election.

(2C) But if, by notice given to an officer of the Board, the United Kingdom resident company which has or, as the case may be, any two or more United Kingdom resident companies which together have, a majority interest in the company so request, the company shall be assumed (subject to section 9A(2) of CTA 2010) to have made an election under section 9A of that Act in the form specified in the notice (and accordingly that section and section 9B of that Act apply to determine the effect (if any) of that election)."

Amendments of CTA 2009

6 (1) Section 328 of CTA 2009 (loan relationships: exchange gains and losses) is amended as follows.

(2) In subsection (2), after "subsections" insert " (2A), ".

(3) After that subsection insert—

"(2A) Subsection (1) does not apply to an exchange gain or loss of an investment company (within the meaning of section 17 of CTA 2010) which would not have arisen but for a change in the company's functional currency (within the meaning of section 17(4) of that Act) as between—

(a) the period of account of the company in which the gain or loss arises, and

(b) a period of account of the company ending in the 12 months immediately preceding that period."

7 (1) Section 606 of that Act (derivative contracts: exchange gains and losses) is amended as follows.

(2) In subsection (2), after "subsections" insert " (2A), ".

(3) After that subsection insert—

"(2A) Subsection (1) does not apply to an exchange gain or loss of an investment company (within the meaning of section 17 of CTA 2010) which would not have arisen but for a change in the company's functional currency (within the meaning of section 17(4) of that Act) as between—

(a) the period of account of the company in which the gain or loss arises, and

(b) a period of account of the company ending in the 12 months immediately preceding that period."

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Commencement

8 (1) The amendments made by this Schedule have effect in relation to periods of account beginning on or after 1 April 2011.

(2) An election may be made or revoked for the purposes of section 9A of CTA 2010 (as inserted by paragraph 3) at any time on or after 9 December 2010.

(3) Where an election made by a company before 27 June 2011 does not specify the day on which it takes effect, the election is to be treated as if it specified the first day of the first period of account of the company beginning after the election was made.

(4) An election made before the day on which this Act is passed must be made by notice in writing to an officer of Revenue and Customs.

(5) Schedule 1A to TMA 1970 does not apply to an election made before the day on which this Act is passed.

VALID FROM 19/07/2011

SCHEDULE 8 U.K.

Section 35

Reduction in childcare relief for higher earners

Introduction

1 ITEPA 2003 is amended as follows.

Childcare vouchers

2 (1) Section 270A (limited exemption for qualifying childcare vouchers) is amended as follows.

(2) In subsection (2), for “C” substitute “ D ”.

(3) After subsection (5B) (inserted by section 36) insert—

“(5C) Condition D is that the employer has, at the required time, made an estimate of the employee's relevant earnings amount for the tax year in respect of which the voucher is provided (see section 270B).”

(4) In paragraph (a) of subsection (6), for “£55” substitute “ the appropriate amount ”.

(5) After that subsection insert—

“(6ZA) In subsection (6)(a) “the appropriate amount”, in the case of an employee, means—

(a) if the relevant earnings amount in the case of the employee for the tax year, as estimated in accordance with subsection (5C), exceeds the higher rate limit for the tax year, £22,

(b) if the relevant earnings amount in the case of the employee for the tax year, as so estimated, exceeds the basic rate limit for the

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tax year but does not exceed the higher rate limit for the tax year, £28, and

(c) otherwise, £55.”

(6) In subsection (11)—

(a) for “exempt amount” (in each place) substitute “ amounts ”,

(b) for “(6) above” substitute “ (6ZA) above ”, and

(c) for “318A(6)” substitute “ 318A(6A) ”.

3 After section 270A insert—

“270B Meaning of “relevant earnings amount” and “required time”

(1) For the purposes of section 270A, the “relevant earnings amount”, in the case of an employee provided with vouchers by an employer for any qualifying week in a tax year, means—

(a) the aggregate of—

(i) the amount of any relevant earnings for the tax year from employment by the employer, and

(ii) any amounts treated under Chapters 2 to 12 of Part 3 as earnings from such employment, less

(b) the aggregate of any excluded amounts.

(2) But if the employee becomes employed by the employer during the tax year, what would otherwise be the amount of the aggregate mentioned in subsection (1)(a) is the relevant multiple of that amount; and the relevant multiple is—

$$\frac{365}{RD}$$

where RD is the number of days in the period beginning with the day on which the employee becomes employed by the employer and ending with the tax year.

(3) In subsection (1)(a) “relevant earnings” means—

(a) salary, wages or fees, and

(b) any other earnings specified in regulations made by the Treasury under this paragraph.

(4) In subsection (1)(b) “excluded amounts” means amounts specified in regulations made by the Treasury under this subsection.

(5) In section 270A “the required time”, in the case of an employee, means—

(a) if the employee joins the scheme under which the vouchers are provided at a time during the tax year, that time, and

(b) otherwise, the beginning of the tax year.

(6) For the purposes of subsection (5)(a) the employee is taken to join the scheme as soon as—

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(a) the employer has agreed that vouchers will be provided under the scheme for the employee, and

(b) there is a child falling within section 270A(3)(a) or (b) in relation to the employee.

(7) The Treasury may by order amend this section.”

Childcare provided otherwise than at employer's premises etc

4 (1) Section 318A (limited exemption for childcare provided otherwise than at employer's premises etc) is amended as follows.

(2) In subsection (1), for “C” substitute “ D ”.

(3) After subsection (5B) (inserted by section 36) insert—

“(5C) Condition D is that the employer has, at the required time, made an estimate of the employee's relevant earnings amount for the tax year in respect of which the care is provided (see section 318AA).”

(4) In subsection (6), for “£55” substitute “ the appropriate amount ”.

(5) After that subsection insert—

“(6A) In subsection (6) “the appropriate amount”, in the case of an employee, means—

(a) if the relevant earnings amount in the case of the employee for the tax year, as estimated in accordance with subsection (5C), exceeds the higher rate limit for the tax year, £22,

(b) if the relevant earnings amount in the case of the employee for the tax year, as so estimated, exceeds the basic rate limit for the tax year but does not exceed the higher rate limit for the tax year, £28, and

(c) otherwise, £55.”

5 After section 318A insert—

“318AA Meaning of “relevant earnings amount” and “required time”

(1) For the purposes of section 318A, “relevant earnings amount”, in the case of an employee provided with care by an employer for any qualifying week in a tax year, means—

(a) the aggregate of—

(i) the amount of any relevant earnings for the tax year from employment by the employer, and

(ii) any amounts treated under Chapters 2 to 12 of Part 3 as earnings from such employment, less

(b) the aggregate of any excluded amounts.

(2) But if the employee becomes employed by the employer during the tax year, what would otherwise be the amount of the aggregate mentioned in subsection (1)(a) is the relevant multiple of that amount; and the relevant multiple is—

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$$\frac{365}{RD}$$

where RD is the number of days in the period beginning with the day on which the employee becomes employed by the employer and ending with the tax year.

(3) In subsection (1)—

"relevant earnings" has the same meaning as in subsection (1)(a) of section 270B (see subsection (3) of that section), and

"excluded amounts" has the same meaning as in subsection (1)(b) of section 270B (see subsection (4) of that section).

(4) In section 318A "the required time", in the case of an employee, means—

(a) if the employee joins the scheme under which the care is provided at a time during the tax year, that time, and

(b) otherwise, the beginning of the tax year.

(5) For the purposes of subsection (5)(a) the employee is taken to join the scheme as soon as—

(a) the employer has agreed that care will be provided under the scheme for the employee, and

(b) there is a child falling within section 318A(3)(a) or (b) in relation to the employee.

(6) The Treasury may by order amend this section."

6 In subsection (1) of section 318D (childcare: power to vary exempt amount) —

(a) for "318A(6)" substitute " 318A(6A) ", and

(b) for "exempt amount) so as to substitute a different sum of money for that" substitute " amounts which are the exempt amount) so as to substitute different sums of money for those ";

and, accordingly, in the heading of that section, after "**vary**" insert " **amounts which are the** ".

Commencement and transitional provision

7 The amendments made by this Schedule have effect for the tax year 2011-12 and subsequent tax years.

8 (1) But the amendments made by paragraphs 2(2) to (5) and 3 to 5 do not apply for a tax week in the case of an employee and employer and a scheme if—

(a) the employee joined the scheme before 6 April 2011,

(b) the employee has not ceased to be employed by the employer during the period beginning with that date and ending with the tax week, and

(c) during that period there has not been a continuous period of 52 weeks throughout which vouchers were not, or care was not, being provided for the employee under the scheme.

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(2) For the purposes of sub-paragraph (1) the employee is taken to join the scheme as soon as—

(a) the employer has agreed that vouchers, or care, will be provided under the scheme for the employee, and

(b) there is a child falling within section 270A(3)(a) or (b), or section 318A(3)(a) or (b), of ITEPA 2003 in relation to the employee.

9 Regulations made under section 270B(3)(b) or (4) of ITEPA 2003 (inserted by paragraph 3) on or before 31 December 2011 may have retrospective effect in relation to the tax year 2011-12.

10 The amendments made by paragraphs 2(6) and 6 do not prevent the making of provision under section 270A(11)(a) or 318D(1) of ITEPA 2003 in relation to sections 270A(6) and 318A(6) of that Act as, by virtue of paragraph 8, they continue to have effect otherwise than as amended by this Schedule.

VALID FROM 19/07/2011

SCHEDULE 9 U.K.

Section 44

VALUE SHIFTING

Amendments of TCGA 1992

1 In section 30 of TCGA 1992 (tax-free benefits)—

(a) in subsection (1)(a) omit "or a relevant asset",

(b) for subsection (2) substitute—

"(2) But, for the purposes of corporation tax, this section does not have effect if the disposal of the asset is a disposal by a company of shares in, or securities of, another company (as to which see section 31).", and

(c) omit subsection (8).

2 For sections 31 to 34 of TCGA 1992 (which make provision about disposals by companies of shares in or securities of other companies) substitute—

"31 Disposal of shares or securities by a company

(1) For the purposes of corporation tax, subsection (2) has effect as respects the disposal by a company ("the disposing company") of shares in, or securities of, another company if—

(a) arrangements have been made whereby the value of those shares or securities, or any relevant asset, is materially reduced,

(b) the main purpose, or one of the main purposes, of the arrangements is to obtain a tax advantage, and

(c) the arrangements do not consist solely of the making of an exempt distribution.

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(2) Any allowable loss or chargeable gain accruing on the disposal is to be calculated as if the consideration for the disposal were increased by such amount as is just and reasonable having regard to—

(a) the arrangements, and

(b) any charge to, or relief from, corporation tax that, in the absence of this section, would arise in consequence of the disposal or the arrangements.

(3) For the purposes of subsection (1)—

(a) an asset is a relevant asset if, at the time of the disposal, it is owned by a company which is a member of the same group as the disposing company, and

(b) it does not matter whether the tax advantage is obtained for the disposing company or any other person.

(4) In relation to a case in which the disposal of the shares or securities precedes their acquisition, the reference in subsection (1)(a) to a reduction is to be read as including a reference to an increase.

(5) Where, but for arrangements to which subsection (6) applies, a transaction would, by virtue of section 29(2), be treated as a disposal of shares by a company, that transaction is to be treated as if it were, by virtue of section 29(2), a disposal of those shares.

(6) The arrangements to which this subsection applies are arrangements—

(a) whereby the value of the shares or securities is materially reduced, and

(b) the main purpose, or one of the main purposes, of which is to obtain a tax advantage (whether for the company or any other person).

(7) In this section—

"arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);

"exempt distribution" means a distribution which—

(a) for the purposes of section 931D of CTA 2009 (exemption from charge to tax: distributions received by companies that are not small), falls within an exempt class by virtue of section 931H of that Act (dividends derived from transactions not designed to reduce tax), or

(b) would be within paragraph (a) but for the recipient being a small company (within the meaning of section 931S of that Act) in the accounting period of the recipient in which the distribution was received;

"group" is to be construed in accordance with section 170;

"securities" has the same meaning as in section 132;

"tax advantage" means the avoidance of a liability to corporation tax in respect of chargeable gains."

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3 In section 176 of TCGA 1992 (depreciatory transactions within a group), in subsection (1), for "on or after 31st March 1982" substitute " within the period of 6 years ending with the disposal ".

4 In section 179 of TCGA 1992 (company ceasing to be member of group), in subsection (9)(b), after "section 30" insert " or 31 ".

Consequential repeals

5 The following provisions are repealed—
(a) in Schedule 20 to FA 1996, paragraph 47(b) and (c),
(b) Schedule 9 to FA 1999,
(c) in Schedule 29 to FA 2000, paragraph 17,
(d) in Schedule 9 to FA 2002, paragraph 5(2) and (3),
(e) in Schedule 30 to that Act, paragraph 6,
(f) in Schedule 1 to CTA 2009, paragraph 361, and
(g) in Schedule 23 to FA 2009, paragraph 8.

Commencement and transitionals

6 (1) The amendments made by paragraphs 1 to 3 and 5 have effect in relation to disposals of shares or securities by companies made on or after the day on which this Act is passed ("the commencement day").

(2) But nothing in paragraph 1, 2 or 5 prevents section 31A of TCGA 1992 (asset-holding company leaving group), as it had effect immediately before the commencement day, continuing to have effect on or after that day in relation to cases where the section 30 disposal to which that section refers occurred before that day.

(3) The amendment made by paragraph 4 has effect in relation to disposals of shares or securities treated under section 179 of TCGA 1992 as taking place on or after the commencement day.

(4) In this paragraph "securities" has the same meaning as in section 132 of TCGA 1992.

VALID FROM 19/07/2011

SCHEDULE 10 U.K.

Section 45

COMPANY CEASING TO BE MEMBER OF GROUP

Degrouping

1 In section 139 of TCGA 1992 (reconstruction involving transfer of business), after subsection (1A) insert—

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"(1B) Nothing in section 179(3D) prevents the two companies being treated as mentioned in subsection (1)."

2 In section 171A of TCGA 1992 (election to reallocate gain or loss to another member of the group), omit subsection (7).

3 (1) Section 179 of TCGA 1992 (company ceasing to be member of group) is amended as follows.

(2) In subsection (1)(a) for "company B is a member of a group" substitute " company A and company B are members of the same group ".

(3) In subsection (1A) omit the words from "For this purpose" to the end.

(4) For subsection (2) substitute—

"(2) Where two companies cease to be members of the group at the same time, subsection (1) does not have effect as respects the acquisition of an asset by one of the companies from the other if condition A or B is met.

(2ZA) Condition A is that the companies—

(a) are both 75 per cent subsidiaries and effective 51 per cent subsidiaries of another company on the date of the acquisition, and

(b) remain both 75 per cent subsidiaries and effective 51 per cent subsidiaries of that other company until immediately after they cease to be members of the group.

(2ZB) Condition B is that one of the companies—

(a) is both a 75 per cent subsidiary and an effective 51 per cent subsidiary of the other on the date of the acquisition, and

(b) remains both a 75 per cent subsidiary and an effective 51 per cent subsidiary of the other until immediately after the companies cease to be members of the group."

(5) For subsection (2A)(a) substitute—

"(a) a company ("company A") acquired an asset from another company ("company B") at a time when both company A and company B were members of the same group ("the first group"),

(aa) company A has ceased to be a member of the first group,".

(6) After subsection (3) insert—

"(3A) Any chargeable gain or allowable loss which would otherwise accrue to company A on the sale referred to in subsection (3) does not so accrue if—

(a) company A ceases to be a member of the group in consequence of—

(i) a disposal of shares in company A or another member of the group made by a member of the group, or

(ii) two or more such disposals,

(b) either—

(i) subsection (3B) applies to the disposal or, if there is more than one disposal, to at least one of them, or

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(ii) sub-paragraph (i) does not apply but had subsection (3B) applied to the disposal or, if there is more than one disposal, to each of them, any gain arising on the disposal or disposals would not have been a chargeable gain by virtue of Schedule 7AC, and

(c) in the absence of this subsection, section 535 of CTA 2010 (UK REITS: exemption of gains) would not apply to the chargeable gain or allowable loss which would accrue to company A on the sale.

(3B) This subsection applies to a disposal of shares if—

(a) the company making the disposal is resident in the United Kingdom at the time of the disposal,

(b) the shares are chargeable assets in relation to that company immediately before that time, or

(c) any part of the chargeable gain or allowable loss accruing on the disposal is treated as a gain or loss accruing to a person by virtue of section 13(2) (attribution of gains to members of non-resident companies).

In this section "group disposal" means a disposal within subsection (3A)(a) to which this subsection applies and the company making the disposal is referred to as "the transferor company".

(3C) For the purposes of subsections (3A) and (3B), the question whether there is a disposal is to be determined ignoring section 127 (share reorganisations etc treated as not involving disposal).

(3D) If subsection (3A) applies, any chargeable gain or allowable loss accruing to the transferor company on a group disposal (other than a group disposal to which section 127 applies) is to be calculated—

(a) where a chargeable gain would accrue to company A in the absence of subsection (3A), as if the amount of the consideration for the group disposal were increased by the amount of the gain, and

(b) where an allowable loss would accrue to company A in the absence of subsection (3A), as if an amount equal to the amount of the loss were a sum allowable under section 38 as a deduction in the computation of the gain or loss accruing on the group disposal.

(3E) If subsection (3A) applies, and section 127 applies to a group disposal, any chargeable gain or allowable loss accruing to the transferor company on a disposal of the new holding arising from the group disposal (or any part of that holding) is to be calculated—

(a) where a chargeable gain would accrue to company A in the absence of subsection (3A)—

(i) as if an amount equal to the amount of the gain were excluded from the expenditure allowable as a deduction under section 38 in the computation of the gain or loss accruing on the disposal (but not so as to reduce that expenditure below nil), and

(ii) where (ignoring sub-paragraph (i)) the amount of the gain exceeds the expenditure allowable as such a deduction, as if a gain equal to that excess accrued on the disposal of the new holding (or, if the disposal is of a part of the new holding, a gain equal to the corresponding part of that excess accrued on that disposal), in addition to any gain or loss that actually accrues on the disposal of the new holding or part, and

(b) where an allowable loss would accrue to company A in the absence of subsection (3A), as if an amount equal to the amount of the loss were a sum allowable under section 38 as a deduction in the computation of the gain or loss accruing on the disposal.

In this subsection "new holding" has the meaning given by section 126.

(3F) If there is more than one group disposal, the references in subsections (3D) and (3E) to the amount of the gain or loss which would accrue to company A in the absence of subsection (3A) are to be read, in relation to each disposal, as references to—

(a) such proportion of that amount as the transferor companies in relation to the group disposals jointly elect as the appropriate proportion in relation to the disposal in question, or

(b) where no election is made, the proportion of that amount attributable to that disposal if that amount is divided equally between the group disposals.

(3G) An election under subsection (3F) must—

(a) specify the appropriate proportion in relation to each group disposal, and

(b) be made, by notice to an officer of Revenue and Customs, no later than 2 years after the end of the first accounting period of a company in which any chargeable gain or allowable loss on a group disposal accrues.

(3H) If a group disposal by a company consists of shares of more than one class, then, for the purposes of subsections (3D) and (3E), the company may apportion any increase or deduction to be made between the classes of shares in such manner as it considers appropriate."

(7) For subsection (5) substitute—

"(5) Subsections (6) to (8) apply where—

(a) in the absence of subsection (6), company A would be treated by virtue of subsection (3) as selling an asset at any time, by reason of ceasing to be a member of the group, and

(b) company A ceases to be a member of the group by reason only of the fact that the principal company of that group becomes a member of another group."

(8) In subsection (6)—

(a) for "The company" to "but" substitute " Subsection (3) does not apply to treat company A as selling the asset at that time; but ", and

(b) for "the company in question" (in each place) substitute " company A ".

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(9) In subsection (7) for "the company" (in both places) substitute " company A ".

(10) After that subsection insert—

"(7A) Any chargeable gain or allowable loss which would otherwise accrue to company A on the sale referred to in subsection (6) does not so accrue if—

(a) company A ceases at the relevant time to satisfy the conditions in subsection (7) in consequence of—

(i) a disposal of shares in company A, or another member of the other group mentioned in subsection (5)(b), made by a member of that other group, or

(ii) two or more such disposals,

(b) either—

(i) subsection (3B) applies to the disposal or, if there is more than one disposal, to at least one of them, or

(ii) sub-paragraph (i) does not apply but had subsection (3B) applied to the disposal or, if there is more than one disposal, to each of them, any gain arising on the disposal or disposals would not have been a chargeable gain by virtue of Schedule 7AC, and

(c) in the absence of this subsection, section 535 of CTA 2010 (UK REITS: exemption of gains) would not apply to the chargeable gain or allowable loss which would accrue to company A on the sale.

(7B) Where subsection (7A) applies, subsections (3C) to (3H) apply to the calculation of any chargeable gain or allowable loss accruing on a disposal within subsection (7A)(a) to which subsection (3B) applies (a "relevant disposal") with the following modifications—

(a) in subsections (3C) to (3H) for the references to a group disposal substitute references to a relevant disposal, and

(b) in subsections (3C), (3D) and (3E) for the references to subsection (3A) substitute references to subsection (7A)."

(11) In subsection (8) for the words from "the company" to the end substitute " company A on the sale referred to in subsection (6) is to be treated as accruing immediately before the relevant time. "

(12) In subsection (10), for paragraph (a) substitute—

"(a) two companies are associated with each other if one is a 75 per cent subsidiary of the other or both are 75 per cent subsidiaries of another company."

(13) After that subsection insert—

"(10A) For the purposes of this section an asset is a "chargeable asset" in relation to a company at any time if any gain accruing to the company on a disposal of the asset by the company at that time—

(a) would be a chargeable gain and would by virtue of section 10B form part of its chargeable profits for corporation tax purposes, or

(b) would, but for Schedule 7AC (exemptions for disposals by companies with substantial shareholdings), be within paragraph (a).”

4 After section 179 of TCGA 1992 insert—

“**179ZA Claim for adjustment of calculations under section 179**

(1) This section applies where—

(a) a gain accrues to a company (“company A”) on a sale referred to in subsection (3) or (6) of section 179, or

(b) a gain would so accrue but for subsection (3A) or (7A) of that section.

(2) If subsection (3D) or (3E) of that section applies in relation to one or more group disposals (within the meaning of that section)—

(a) the company making the disposal, or

(b) if there is more than one disposal, the companies making those disposals acting jointly,

may make a claim for the amount of the gain to be treated for the purposes of the subsection in question as reduced by an amount specified in the claim.

(3) In any other case, company A may make a claim for the amount of the gain to be treated for all purposes of this Act as reduced by an amount specified in the claim.

(4) Where a claim is made under subsection (2) or (3), the gain must be treated, for the purposes mentioned in the subsection in question, as reduced by such amount (if any) as is just and reasonable.

(5) In determining the amount which is just and reasonable regard must be had, in particular, to any transaction as a direct or indirect result of which company A or any associated company (within the meaning of section 179(10)) acquired the asset to which the gain relates.

(6) Where under this section the gain accruing to company A on a sale referred to in subsection (3) or (6) of section 179 is treated as reduced by an amount (“the permitted deduction”), the subsection in question has effect, so far as it provides for the immediate reacquisition of the asset by company A, as if the reference to market value of the asset were to its market value less the permitted deduction.”

5 In TCGA 1992, the following provisions are repealed—

(a) section 179A (reallocation within group of gain or loss accruing under section 179);

(b) section 179B (roll-over of degrouping charge on business assets);

(c) Schedule 7AB (roll-over of degrouping charge: modification of enactments).

Substantial shareholding exemption

6 (1) Schedule 7AC to TCGA 1992 (exemptions for disposals by companies with substantial shareholdings) is amended as follows.

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(2) After paragraph 15 insert—

"Effect of transfer of trading assets within a group

15A (1) For the purposes of this Part, the period for which the investing company is treated as holding a substantial shareholding in the company invested in is extended in accordance with sub-paragraph (3) if the following conditions are met.

(2) The conditions are—

(a) that, immediately before the disposal, the investing company holds a substantial shareholding in the company invested in,

(b) that an asset which, at the time of the disposal, is being used for the purposes of a trade carried on by the company invested in was transferred to it by the investing company or another company,

(c) that, at the time of the transfer of the asset, the company invested in, the investing company and, if different, the company which transferred the asset were all members of the same group, and

(d) that the asset was previously used by a member of the group (other than the company invested in) for the purposes of a trade carried on by that member at a time when it was such a member.

(3) The investing company is to be treated as having held the substantial shareholding at any time during the final 12 month period when the asset was used as mentioned in sub-paragraph (2)(d) (if it did not hold a substantial shareholding at that time).

(4) "The final 12 month period" means the period of 12 months ending with the time of the disposal."

(3) In paragraph 19 (requirements relating to the company invested in), after sub-paragraph (2) insert—

"(2A) If the conditions in paragraph 15A(2)(b) to (d) are met, sub-paragraph (2B) applies for the purpose of determining whether the requirement of sub-paragraph (1)(a) is satisfied.

(2B) The company invested in is to be treated as having been a trading company at any time during the final 12 month period when the asset was used as mentioned in paragraph 15A(2)(d) (if it was not a trading company at that time).

(2C) "The final 12 month period" has the meaning given in paragraph 15A(4)."

Intangible fixed assets: degrouping

7 (1) Part 8 of CTA 2009 (intangible fixed assets) is amended as follows.

(2) In section 780 (deemed realisation and reacquisition at market value), in subsection (5)(b) before "associated" insert " certain ".

(3) In section 783 (associated companies leaving group at same time), for subsection (1) substitute—

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"(1) Where two companies cease to be members of a group at the same time, section 780 does not apply in relation to a transfer by one of the companies to the other if condition A or B is met.

(1A) Condition A is that the companies—

(a) are both 75% subsidiaries and effective 51% subsidiaries of another company on the date of the transfer, and

(b) remain both 75% subsidiaries and effective 51% subsidiaries of that other company until immediately after they cease to be members of the group.

(1B) Condition B is that one of the companies—

(a) is both a 75% subsidiary and an effective 51% subsidiary of the other on the date of the transfer, and

(b) remains both a 75% subsidiary and an effective 51% subsidiary of the other until immediately after the companies cease to be members of the group.", and, in the section heading, for "*Associated*" substitute " *Certain associated* ".

(4) In section 788 (provisions supplementing provisions about degrouping), for subsection (3) substitute—

"(3) For the purposes of those sections and this section two companies are associated with each other if one is a 75% subsidiary of the other or both are 75% subsidiaries of another company."

Consequential repeals

8 In consequence of the repeals made by paragraph 5, the following are also repealed—

(a) in IHTA 1984, section 97(1)(a)(iii) and the "or" before it,

(b) in FA 2002, section 42(1) and (3)(a),

(c) in F(No.2)A 2005, in Schedule 4, paragraphs 8 and 10(3), and

(d) in FA 2009, in Schedule 12, paragraph 2.

Commencement

9 (1) The amendments made by paragraphs 1 to 5 and 8 have effect in relation to any disposal of an asset by one company ("company B") to another company ("company A") made at a time when company B is a member of a group, if—

(a) company A ceases to be a member of the group on or after the passing of this Act, or

(b) where company A ceased to be such a member before the passing of this Act in circumstances where section 179(6) to (8) of TCGA 1992 applied, company A ceases to satisfy the conditions in section 179(7) of that Act on or after the passing of this Act.

(2) The amendments made by paragraph 6 have effect in relation to disposals of shares made on or after the passing of this Act.

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(3) The amendments made by paragraph 7 have effect in relation to any disposal of an asset by one company ("company B") to another company ("company A") made at a time when company B is a member of a group, if—

(a) company A ceases to be a member of the group on or after the passing of this Act, or

(b) where company A ceased to be such a member before the passing of this Act in circumstances where section 783 of CTA 2009 applied, company A ceases to be a member of another group on or after the passing of this Act.

(4) But where an early commencement election is made in relation to a group—

(a) sub-paragraphs (1) and (3) apply in relation to that group as if the references in those sub-paragraphs to the passing of this Act were references to 1 April 2011, and

(b) sub-paragraph (2) applies in relation to any disposal of shares by a member of that group as if the reference in that sub-paragraph to the passing of this Act were a reference to 1 April 2011.

(5) An early commencement election in relation to a group means an election made for the purposes of this paragraph by the principal company of the group.

(6) If a company ceases to be a member of a group in the period which begins with 1 April 2011 and ends with the passing of this Act, an early commencement election may be made or revoked in relation to the group only with the consent of that company contained in a notice which accompanies the election or revocation.

(7) Where an early commencement election is revoked, the election is treated as never having had effect.

(8) An early commencement election may not be made or revoked after 31 March 2012 (and paragraph 3(1)(b) of Schedule 1A to the Management Act (amendment of elections etc) does not apply in relation to an early commencement election).

VALID FROM 19/07/2011

SCHEDULE 11 U.K.

Section 46

PRE-ENTRY LOSSES

TCGA 1992

1 In section 177A of TCGA 1992 (restriction on set-off of pre-entry losses), omit "and losses accruing on assets held by any company at such a time".

2 Schedule 7A to that Act (restriction on set-off of pre-entry losses) is amended as follows.

3 (1) Paragraph 1 (application and construction of Schedule) is amended as follows.

(2) In sub-paragraph (1) for "is or has been" substitute " becomes ".

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(3) For sub-paragraph (2) substitute—

“(2) In this Schedule “pre-entry loss”, in relation to any company, means any allowable loss that accrued to that company at a time before it became a member of the relevant group.”

(4) Omit sub-paragraphs (3), (3A), (4) and (5).

(5) In sub-paragraph (6) for “Subject to” to “if” substitute “ If ”.

(6) Omit sub-paragraph (8).

4 Omit paragraphs 2 to 5 (determination of pre-entry proportion of losses on pre-entry assets).

5 (1) Paragraph 6 (restrictions on the deduction of pre-entry losses) is amended as follows.

(2) In sub-paragraph (2)—

(a) omit paragraph (a) (and the “and” after it), and

(b) in paragraph (b), omit “in any other case”.

(3) In sub-paragraph (3)—

(a) omit paragraph (a) (and the “and” after it), and

(b) in paragraph (b), omit “in the case of an election under sub-paragraph (2) (b) above,”.

6 (1) Paragraph 7 (gains from which pre-entry losses are to be deductible) is amended as follows.

(2) In sub-paragraph (1), for paragraph (c) substitute—

“(c) on the disposal of any asset in respect of which the conditions in sub-paragraph (1A) are met.”

(3) After that sub-paragraph insert—

“(1A) The conditions referred to in sub-paragraph (1)(c) are—

(a) that the asset was acquired, on or after the entry date, by—

(i) the company to which the pre-entry loss accrued (“company A”), or

(ii) a company which, at the time of the acquisition, was a group company of company A,

from a person who at the time of the acquisition was not a group company of company A, and

(b) that the asset has not, since its acquisition from that person, been used or held for any purposes other than those of a trade or business which—

(i) was being carried on by company A immediately before the entry date, and

(ii) continued until the disposal to be carried on by company A or a company which, when it carried on the trade or business, was a group company of company A.

(1B) For the purposes of sub-paragraph (1A), a company is a “group company of company A” at any time when it is a member of a group of companies of which company A is also a member.

(1C) Where a company, having become a member of the relevant group, subsequently becomes a member of another group (“ the new group ”)—

(a) sub-paragraph (1) continues to have effect, in relation to any loss which accrued to the company before it became a member of the relevant group, by reference to the date on which it became such a member, and

(b) accordingly, that sub-paragraph does not apply separately in relation to the loss by reason of it also having accrued to the company before it became a member of the new group.”

(4) Omit sub-paragraph (2).

(5) In sub-paragraph (3)—

(a) omit “, without prejudice to paragraph 9 below”,

(b) omit paragraph (b), and

(c) in paragraph (c), for “sub-paragraphs (1)(c) and (2)(c)” substitute “ sub-paragraph (1A) ”.

(6) For sub-paragraph (4) substitute—

“(4) Sub-paragraphs (4A) and (4B) apply for determining for the purposes of this paragraph whether an asset on the disposal of which a chargeable gain accrues was an asset held by a company immediately before the entry date (a “pre-entry asset”).

(4A) Except as provided by sub-paragraph (4B), an asset is not a pre-entry asset if—

(a) the company which held the asset at the entry date is not the company which makes the disposal, and

(b) since the entry date that asset has been disposed of otherwise than by a disposal to which section 171 applies.

(4B) Without prejudice to sub-paragraph (4C), where, on a disposal to which section 171 does not apply—

(a) an asset would cease to be a pre-entry asset by virtue of sub-paragraph (4A), but

(b) the company making the disposal retains an interest in or over the asset in question,

that interest is a pre-entry asset.

(4C) For the purposes of this paragraph—

(a) an asset acquired or held by a company at any time and an asset held at a later time by that company, or by any company which is or has been a member of the same group of companies as that company, is to be treated as the same asset if the value of the second asset is derived in whole or in part from the first asset, and

(b) if—

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(i) any asset is treated (whether by virtue of paragraph (a) or otherwise) as the same as an asset held by a company at a later time, and

(ii) the first asset would have been a pre-entry asset in relation to that company,

the second asset is also to be treated as a pre-entry asset in relation to that company;

and paragraph (a) applies, in particular, where the second asset is a freehold and the first asset is a leasehold the lessee of which acquires the reversion."

(7) In sub-paragraph (5) omit "or (2)" (in both places).

(8) In sub-paragraph (6) omit "or (2)".

7 (1) Paragraph 8 (change of a company's nature) is amended as follows.

(2) In sub-paragraph (1)—

(a) after "trade" (in each place) insert " or business ",

(b) in paragraph (a) for "carried on by that company" substitute " which was carried on by that company immediately before it became a member of that group ", and

(c) for "paragraph 7(1)(c) and (2)(c)" substitute " paragraph 7(1A) ".

(3) For sub-paragraph (2) substitute—

"(2) In sub-paragraph (1) "a major change in the nature or conduct of a trade or business" includes—

(a) a major change in the type of property dealt in, or services or facilities provided, in the trade or business,

(b) a major change in customers, markets or outlets of the trade or business, or

(c) in the case of a company with investment business (within the meaning of section 1218 of CTA 2009), a major change in the nature of the investments held;

and this paragraph applies even if the change is the result of a gradual process which began outside the period of three years mentioned in sub-paragraph (1)(a)."

8 Omit paragraph 9 (identification of "the relevant group" and application of Schedule to every connected group).

9 In paragraph 11 (continuity provisions), omit sub-paragraph (3)(b) (and the "and" before it).

Consequential repeals

10 Omit the following provisions (which relate to the provisions repealed by paragraphs 1 to 9)—

(a) in FA 1994, sections 93(8) to (10) and 94;

(b) in FA 1998, section 138;

(c) in FA 2000, in Schedule 29, paragraph 7(2) to (5);

(d) in F(No.2)A 2005, section 65(2), (3) and (5).

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Commencement

11 (1) The amendments made by this Part of this Schedule have effect on and after commencement in relation to the deduction of any pre-entry loss within paragraph 1(2) of Schedule 7A to TCGA 1992 (as substituted by paragraph 3 of this Schedule) regardless of—

(a) whether the loss accrued before or on or after commencement, and

(b) whether the company which accrued the loss became a member of the relevant group (within the meaning of that Schedule) before or on or after commencement.

(2) In this paragraph "commencement" means the day on which this Act is passed.

Transitional provision

12 (1) Sub-paragraph (2) applies where, immediately before commencement, Schedule 7A to TCGA 1992 had effect, in the case of a company which is or has been a member of a group of companies ("the relevant group") in relation to a loss of that company within paragraph 1(2)(b) of that Schedule (pre-entry proportion of an allowable loss that has accrued to a company on the disposal of a pre-entry asset).

(2) On and after commencement that loss is to be treated, for the purposes of Schedule 7A to TCGA 1992, as if it were a pre-entry loss within the meaning of paragraph 1(2) of that Schedule (as substituted by paragraph 3 of this Schedule) which accrued to that company immediately before it became a member of the relevant group.

(3) In this paragraph "commencement" means the day on which this Act is passed.

VALID FROM 19/07/2011

SCHEDULE 12 U.K.

Section 47

CONTROLLED FOREIGN COMPANIES

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SCHEDULE 13 U.K.

Section 48

PROFITS OF FOREIGN PERMANENT ESTABLISHMENTS ETC

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SCHEDULE 14 U.K.

Section 52

FURNISHED HOLIDAY LETTINGS

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SCHEDULE 15 U.K.

Section 64

CHARGEABLE GAINS: OIL ACTIVITIES

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VALID FROM 19/07/2011

SCHEDULE 16 U.K.

Section 65

BENEFITS UNDER PENSION SCHEMES

. . . .

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SCHEDULE 17 U.K.

Section 66

ANNUAL ALLOWANCE CHARGE

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VALID FROM 19/07/2011

SCHEDULE 18 U.K.

Section 67

LIFETIME ALLOWANCE CHARGE

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SCHEDULE 19 U.K.

Section 73

THE BANK LEVY

. . . .

VALID FROM 19/07/2011

SCHEDULE 20 U.K.

Section 78

SUPPLIES OF COMMODITIES TO BE USED IN PRODUCING ELECTRICITY

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Status: *Point in time view as at 06/04/2011. This version of this Act contains provisions that are not valid for this point in time.*
Changes to legislation: *Finance Act 2011 is up to date with all changes known to be in force on or before 07 August 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. (See end of Document for details)*

VALID FROM 19/07/2011

SCHEDULE 21 U.K.

Section 82

PREVENTION OF SDLT AVOIDANCE

Introduction

1 Part 4 of FA 2003 (stamp duty land tax) is amended as follows.

Alternative property finance

2 In section 45 (contract and conveyance: effect of transfer of rights), in subsection (3) for the words from "subsection (3)" to the end substitute " any of sections 71A to 73 (which relate to alternative property finance). "

3 (1) Omit sections 71A(8), 72(7), 72A(8) and 73(5)(a) (which contain definitions of "financial institution" for the purposes of provisions relating to alternative property finance).

(2) After section 73B insert—

"73BA Meaning of "financial institution"

(1) In sections 71A to 73B "financial institution" has the meaning given by section 564B of the Income Tax Act 2007.

(2) For this purpose section 564B(1) applies as if paragraph (d) were omitted."

Exchanges

4 (1) Paragraph 5 of Schedule 4 (chargeable consideration: exchanges) is amended as follows.

(2) In sub-paragraph (3)—

(a) for paragraph (a)(i) and (ii) substitute—

"(i) the amount determined under sub-paragraph (3A) in respect of the acquisition, or

(ii) if greater, the amount which would be the chargeable consideration for the acquisition ignoring paragraph 5;", and

(b) for paragraph (b)(i) and (ii) substitute—

"(i) the amount determined under sub-paragraph (3A) in respect of that acquisition, or

(ii) if greater, the amount which would be the chargeable consideration for that acquisition ignoring paragraph 5;".

(3) After that sub-paragraph insert—

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"(3A) The amount mentioned in sub-paragraph (3)(a)(i) and (b)(i) is—
(a) the market value of the subject-matter of the acquisition, and
(b) if the acquisition is the grant of a lease at a rent, that rent."

Commencement

5 (1) Subject to what follows, the amendments made by paragraphs 2 and 4 have effect in relation to any transaction the effective date of which is on or after 24 March 2011.

(2) The amendments do not have effect in relation to any transaction (other than a notional transaction under section 75A of FA 2003)—
(a) which is effected in pursuance of a contract entered into and substantially performed before 24 March 2011, or
(b) which is effected in pursuance of a contract entered into before 24 March 2011 and which is not excluded by sub-paragraph (4).

(3) The amendments do not have effect in relation to any notional transaction under section 75A of FA 2003 if any scheme transaction—
(a) is completed before 24 March 2011,
(b) is effected in pursuance of a contract entered into and substantially performed before 24 March 2011, or
(c) is effected in pursuance of a contract entered into before 24 March 2011 and is not excluded by sub-paragraph (4).

(4) A transaction effected in pursuance of a contract entered into before 24 March 2011 is excluded by this sub-paragraph if—
(a) there is any variation of the contract, or assignment of rights under the contract, on or after 24 March 2011,
(b) the transaction is effected in consequence of the exercise on or after 24 March 2011 of any option, right of pre-emption or similar right, or
(c) on or after 24 March 2011, there is an assignment, sub-sale or other transaction relating to the whole or part of the subject-matter of the contract as a result of which a person other than the purchaser under the contract becomes entitled to call for a conveyance.

(5) Terms used in this paragraph have the same meaning as in Part 4 of FA 2003.

6 (1) The amendments made by paragraph 3 are treated as having come into force on 24 March 2011.

(2) But those amendments—
(a) do not have effect for the purposes of any of sections 71A to 73B of FA 2003 (other than those provisions mentioned in paragraph (b) below) if the arrangements referred to in section 71A(1), 72(1), 72A(1) or 73(1) (as the case may be) were entered into before 24 March 2011, and
(b) do not have effect for the purposes of section 71A(2)(b), 72(2)(b), 72A(2)(b) or 73(2)(b) of that Act if the arrangements referred to there were entered into before 24 March 2011.

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SCHEDULE 22 U.K.

Section 83

TRANSFERS INVOLVING MULTIPLE DWELLINGS

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VALID FROM 01/04/2012

SCHEDULE 23 U.K.

Section 86(1)

DATA-GATHERING POWERS

. . . .

VALID FROM 19/07/2011

SCHEDULE 24 U.K.

Section 86(2)

AMENDMENTS OF SCHEDULE 36 TO FA 2008

1 Schedule 36 to FA 2008 (information and inspection powers) is amended as follows.

2 (1) Paragraph 5 (power to obtain information and documents about persons whose identity is not known) is amended as follows.

(2) In sub-paragraph (2), omit “UK”.

(3) In sub-paragraph (4)—

(a) in paragraph (b), for the words from “the Taxes Acts” to the end substitute “ the law (including the law of a territory outside the United Kingdom) relating to tax, ”, and

(b) in paragraph (c), omit “UK”.

(4) Omit sub-paragraph (5).

(5) The amendments made by this paragraph—

(a) come into force on 1 April 2012, and

(b) apply from then on in relation to tax regardless of when the tax became due (whether before, on or after that date).

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3 (1) Paragraph 40A (penalties for inaccurate information and documents) is amended as follows.

(2) In sub-paragraph (1)(b), for “A or B” substitute “ A, B or C ”.

(3) After sub-paragraph (3) insert—

“(3A) Condition B is that the person knows of the inaccuracy at the time the information is provided or the document produced but does not inform HMRC at that time.”

(4) In sub-paragraph (4), for “B” substitute “ C ”.

(5) The amendments made by this paragraph have effect in relation to any inaccuracy in information provided, or in documents produced, on or after 1 April 2012.

4 (1) After paragraph 49 insert—

“Increased daily default penalty

49A (1) This paragraph applies if—

(a) a penalty under paragraph 40 is assessed under paragraph 46 in respect of a person's failure to comply with a notice under paragraph 5,

(b) the failure continues for more than 30 days beginning with the date on which notification of that assessment was issued, and

(c) the person has been told that an application may be made under this paragraph for an increased daily penalty to be imposed.

(2) If this paragraph applies, an officer of Revenue and Customs may make an application to the tribunal for an increased daily penalty to be imposed on the person.

(3) If the tribunal decides that an increased daily penalty should be imposed, then for each applicable day (see paragraph 49B) on which the failure continues—

(a) the person is not liable to a penalty under paragraph 40 in respect of the failure, and

(b) the person is liable instead to a penalty under this paragraph of an amount determined by the tribunal.

(4) The tribunal may not determine an amount exceeding £1,000 for each applicable day.

(5) But subject to that, in determining the amount the tribunal must have regard to—

(a) the likely cost to the person of complying with the notice,

(b) any benefits to the person of not complying with it, and

(c) any benefits to anyone else resulting from the person's non-compliance.

(6) Paragraph 41 applies in relation to the sum specified in sub-paragraph (4) as it applies in relation to the sums mentioned in paragraph 41(1).

49B (1) If a person becomes liable to a penalty under paragraph 49A, HMRC must notify the person.

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(2) The notification must specify the day from which the increased penalty is to apply.

(3) That day and any subsequent day is an "applicable day" for the purposes of paragraph 49A(3).

49C (1) A penalty under paragraph 49A must be paid before the end of the period of 30 days beginning with the date on which the notification under paragraph 49B is issued.

(2) A penalty under paragraph 49A may be enforced as if it were income tax charged in an assessment and due and payable."

(2) The amendment made by this paragraph has effect in relation to failures to comply with a notice under paragraph 5 that begin on or after 1 April 2012.

5 (1) Paragraph 50 (tax-related penalty) is amended as follows.

(2) In sub-paragraph (1)(d), omit "(within the meaning of paragraph 46)".

(3) After sub-paragraph (6) insert—

"(7) In sub-paragraph (1)(d) "the relevant date" means—

(a) in a case involving an information notice against which a person may appeal, the latest of—

(i) the date on which the person became liable to the penalty under paragraph 39,

(ii) the end of the period in which notice of an appeal against the information notice could have been given, and

(iii) if notice of such an appeal is given, the date on which the appeal is determined or withdrawn, and

(b) in any other case, the date on which the person became liable to the penalty under paragraph 39."

(4) The amendments made by this paragraph have effect where a person becomes liable to a penalty under paragraph 39 of Schedule 36 to FA 2008 on or after the day on which this Act is passed.

6 In paragraph 61A (involved third parties), in the first column of item 11 of the Table, after "receiving" insert " supplies of ".

VALID FROM 19/07/2011

SCHEDULE 25 U.K.

Section 87

MUTUAL ASSISTANCE FOR RECOVERY OF TAXES ETC

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SCHEDULE 26 U.K.

Section 91

REDUNDANT RELIEFS

. . . .

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