



Finance Act 2013

2013 CHAPTER 29

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 1

CHARGES, RATES ETC

Income tax

1 Charge for 2013-14

Income tax is charged for the tax year 2013-14.

2 Personal allowance for 2013-14 for those born after 5 April 1948

- (1) For the tax year 2013-14 the amount specified in section 35(1) of ITA 2007 (personal allowance for those born after 5 April 1948) is replaced with “ £9,440 ”.
- (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.

3 Basic rate limit for 2013-14

- (1) For the tax year 2013-14 the amount specified in section 10(5) of ITA 2007 (basic rate limit) is replaced with “ £32,010 ”.
- (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.

Status: Point in time view as at 31/10/2013.

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2013, PART 1. (See end of Document for details)*

Corporation tax

4 Charge and main rate for financial year 2014

- (1) Corporation tax is charged for the financial year 2014.
- (2) For that year the rate of corporation tax is—
 - (a) 21% 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).

5 Small profits rate and fractions for financial year 2013

- (1) For the financial year 2013 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—
 - (a) the standard fraction is 3/400ths, 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).

6 Main rate for financial year 2015

- (1) For the financial year 2015 the rate of corporation tax is 20% on profits of companies other than ring fence profits.
- (2) In subsection (1) “ring fence profits” has the same meaning as in Part 8 of CTA 2010 (see section 276 of that Act).

Capital allowances

7 Temporary increase in annual investment allowance

- (1) In relation to expenditure incurred during the period of two years beginning with 1 January 2013, section 51A of CAA 2001 (entitlement to annual investment allowance) has effect as if in subsection (5) for “£25,000” there were substituted “ £250,000 ”.
- (2) Schedule 1 contains provision about chargeable periods which straddle 1 January 2013 or 1 January 2015.

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

CHAPTER 2

INCOME TAX: GENERAL

Exemptions and reliefs

8 London Anniversary Games

- (1) An accredited competitor who performs an Anniversary Games activity is not liable to income tax in respect of any income arising from the activity if the non-residence condition is met.
- (2) The following are Anniversary Games activities—
 - (a) competing at the Anniversary Games, and
 - (b) any activity that is performed during the games period the main purpose of which is to support or promote the Anniversary Games.
- (3) The non-residence condition is that—
 - (a) the accredited competitor is non-UK resident for the tax year 2013-14, or
 - (b) the accredited competitor is UK resident for the tax year 2013-14 but the year is a split year as respects the competitor and the activity is performed in the overseas part of the year.
- (4) Section 966 of ITA 2007 (deduction of sums representing income tax) does not apply to any payment or transfer which gives rise to income benefiting from the exemption under subsection (1).
- (5) In this section—

“accredited competitor” means a person to whom an accreditation card in the athletes' category has been issued by the company named UK Athletics Limited which was incorporated on 16 December 1998;

“the Anniversary Games” means the British Athletics London Anniversary Games held at the Olympic Stadium in London in July 2013;

“the games period” means the period—
 - (a) beginning with 21 July 2013, and
 - (b) ending with 29 July 2013;

“income” means employment income or profits of a trade, profession or vocation (including profits treated as arising as a result of section 13 of ITTOIA 2005).
- (6) This section is treated as having come into force on 6 April 2013.

9 Glasgow Commonwealth Games

- (1) An accredited competitor who performs a Commonwealth Games activity is not liable to income tax in respect of any income arising from the activity if the non-residence condition is met.
- (2) The following are Commonwealth Games activities—
 - (a) competing at the Glasgow Commonwealth Games, and

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (b) any activity that is performed during the games period the main purpose of which is to support or promote the Glasgow Commonwealth Games or any future Commonwealth Games.
- (3) The non-residence condition is that—
 - (a) the accredited competitor is non-UK resident for the tax year in which the Commonwealth Games activity is performed, or
 - (b) the accredited competitor is UK resident for the tax year in which the activity is performed but the year is a split year as respects the competitor and the activity is performed in the overseas part of the year.
- (4) Section 966 of ITA 2007 (deduction of sums representing income tax) does not apply to any payment or transfer which gives rise to income benefiting from the exemption under subsection (1).
- (5) In this section—
 - “accredited competitor” means a person to whom a Glasgow 2014 accreditation card in the athletes' category has been issued by the company named Glasgow 2014 Limited which was incorporated on 11 June 2007;
 - “the games period” means the period—
 - (a) beginning with 4 March 2014, and
 - (b) ending with 3 September 2014;
 - “the Glasgow Commonwealth Games” means the Commonwealth Games held in Scotland in 2014;
 - “income” means employment income or profits of a trade, profession or vocation (including profits treated as arising as a result of section 13 of ITTOIA 2005).

10 Expenses of elected representatives

- (1) After section 293A of ITEPA 2003 insert—

“293B UK travel expenses of other elected representatives

- (1) No liability to income tax arises in respect of a payment to which this section applies if it is expressed to be made in respect of relevant UK travel expenses.
- (2) This section applies to payments—
 - (a) made to members of the Scottish Parliament under section 81(2) of the Scotland Act 1998,
 - (b) made to members of the National Assembly for Wales under section 20(2) of the Government of Wales Act 2006 or to a member of the Welsh Assembly Government under section 53(2) of that Act, or
 - (c) made to members of the Northern Ireland Assembly under section 47(2) of the Northern Ireland Act 1998.
- (3) In this section “relevant UK travel expenses” means expenses necessarily incurred on journeys of the following kinds within the United Kingdom—
 - (a) journeys within subsection (4) made by the member that are necessary for the performance of his or her duties as a member;

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (b) if the member shares caring responsibilities with a spouse or partner, journeys made by the spouse or partner between the constituency or region and the member's parliamentary home.
- (4) The journeys referred to in subsection (3)(a) are those—
- (a) between the constituency or region and the Parliament or Assembly to which the member belongs,
 - (b) between the constituency or region and the member's parliamentary home, or
 - (c) within the constituency or region, but not excluded by subsection (5).
- (5) A journey is excluded if—
- (a) in the case of a member who has only one local office, it is between the member's local home and that office, and
 - (b) in any other case, it is between the member's local home and the principal local office.
- (6) In this section—
- “constituency or region”, in relation to a member, means the constituency or region which the member represents and the area within 20 miles of the boundary of that constituency or region;
- “local office”, in relation to a member, means an office which is situated in the constituency or region and occupied by the member for the purposes of performing duties as a member;
- “the member's local home” means a residence of the member situated in the constituency or region;
- “the member's parliamentary home” means the member's only or main residence in the area comprising—
- (a) the main site of the Parliament or Assembly to which the member belongs, and
 - (b) the area within 20 miles of that site;
- “principal local office”, in relation to a member, means the local office most frequently occupied by the member for the purposes of performing duties as a member.
- (7) A person has “caring responsibilities” if the person—
- (a) has parental responsibility for a dependent child aged under 17 or for a child aged 17 or 18 who is in full-time education, or
 - (b) is the primary carer for a family member in receipt of—
 - (i) attendance allowance,
 - (ii) disability living allowance at the middle or highest rate for personal care,
 - (iii) the daily living component of personal independence payment, or
 - (iv) constant attendance allowance at or above the maximum rate with an industrial injuries disablement benefit, or the basic (full day) rate with a war disablement pension.
- (8) The Treasury may by order amend the definition of “caring responsibilities” in subsection (7).”

Status: Point in time view as at 31/10/2013.

*Changes to legislation: There are currently no known outstanding effects
 for the Finance Act 2013, PART 1. (See end of Document for details)*

- (2) The amendment made by this section has effect in relation to payments made on or after 6 April 2013.

11 Exemption from income tax of contributions to pension schemes

- (1) In Chapter 9 of Part 4 of ITEPA 2003 (exemptions from income tax for pension provision), in section 308 (exemption of contributions to registered pension scheme), at the end insert “ in respect of the employee ”.
- (2) The amendment made by this section has effect for the tax year 2013-14 and subsequent tax years.

12 Childcare exemptions: meaning of disabled child

- (1) In section 318B of ITEPA 2003 (childcare: meaning of “disabled” etc), in subsection (3)(a), after “allowance” insert “ or personal independence payment ”.
- (2) The amendment made by this section has effect for the tax year 2013-14 and subsequent tax years.

13 Income tax exemption for universal credit

- (1) In section 677(1) of ITEPA 2003 (UK social security benefits wholly exempt from tax), in Part 1 of Table B (benefits payable under primary legislation), insert at the appropriate place—

“Universal credit	WRA 2012	Part 1
	Any provision made for Northern Ireland which corresponds to Part 1 of WRA 2012”.	

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

14 Tax advantaged employee share schemes

Schedule 2 amends the SIP code, the SAYE code, the CSOP code and the EMI code.

15 Abolition of tax relief for patent royalties

- (1) Chapter 4 of Part 8 of ITA 2007 (reliefs: annual payments and patent royalties) is amended in accordance with subsections (2) and (3).
- (2) In section 448 (relief for individuals), in subsection (1)(b) omit “or 903(5)” and “and patent royalties”.
- (3) In section 449 (relief for other persons), in subsection (1)(b) omit “or 903(6)” and “and patent royalties”.
- (4) Accordingly, that Act is amended as follows—
- (a) in section 2 (overview of Act), in subsection (8)(c) omit “and patent royalties”,
 - (b) in section 24 (reliefs deductible at Step 2), in subsection (1)(b) omit “and patent royalties”, and

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

(c) in the heading for Chapter 4 of Part 8 of that Act omit “AND PATENT ROYALTIES”.

(5) The amendments made by this section have effect in relation to payments made on or after 5 December 2012.

16 Limit on income tax reliefs

Schedule 3 contains provision limiting the deductions which may be made at Step 2 of the calculation in section 23 of ITA 2007 (calculation of income tax liability).

Trade profits

17 Cash basis for small businesses

Schedule 4 contains provision enabling the profits of a trade, profession or vocation to be calculated on the cash basis.

18 Deductions allowable at a fixed rate

Schedule 5 contains provision enabling persons carrying on a trade, profession or vocation to claim deductions for certain expenses at a fixed rate.

Other provisions

19 Employment income: duties performed in the UK and overseas

Schedule 6 contains provision about employment income in cases where duties are performed in the UK and overseas.

20 Remittance basis: exempt property

Schedule 7 contains provision about the application of the remittance basis in relation to exempt property.

21 Payments on account

(1) ITA 2007 is amended as follows.

(2) In section 809K (sections 809L to 809Z6: introduction), in subsection (2)(e), for “809V” substitute “ 809UA ”.

(3) Before section 809V (but after the italic heading) insert—

“809UA Money used for payments on account

(1) Subsection (2) applies to income or chargeable gains of an individual if—

(a) the income or gains would (but for subsection (2)) be regarded as remitted to the United Kingdom by virtue of the bringing of money to the United Kingdom,

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (b) the money is brought to the United Kingdom by way of direct payments to the Commissioners on account of income tax,
 - (c) the tax year (“tax year 2”) in respect of which the payments on account are made is a tax year for which section 809H (remittance basis charge for long-term UK resident) does not apply as respects the individual, and
 - (d) that section applied as respects the individual for the previous tax year (“tax year 1”).
- (2) The relevant amount of income or chargeable gains is to be treated as not remitted to the United Kingdom if money equal to the relevant amount is taken offshore by—
- (a) the 15 March following the end of tax year 2, or
 - (b) such later date as the Commissioners may allow on a claim made by the individual.
- (3) A claim under subsection (2)(b)—
- (a) may be made only if the individual has made and delivered a return under section 8 of TMA 1970 for tax year 2 and reasonably expects to receive from the Commissioners a repayment of tax paid in respect of that tax year, and
 - (b) may be made no later than the 5 April following the end of tax year 2.
- (4) Money that is taken offshore in accordance with subsection (2) is to be treated as having the same composition of kinds of income and capital as the money used to make the payments on account.
- (5) In this section “the relevant amount” means the lower of the following—
- (a) the amount brought to the United Kingdom as mentioned in subsection (1)(b), and
 - (b) the applicable amount (as defined in section 809H) for tax year 1.”
- (4) In section 809Z9(11) (taking proceeds etc offshore or investing them: modification of general provisions)—
- (a) for “section 809VB(2) but in that case” substitute “ sections 809UA(2) and 809VB(2), but in those cases ”, and
 - (b) at the beginning of paragraph (b) insert “ in the case of section 809VB(2), ”.
- (5) The amendments made by this section have effect in relation to payments on account made in respect of the tax year 2012-13 and subsequent tax years.

22 Arrangements made by intermediaries

- (1) In Chapter 8 of Part 2 of ITEPA 2003 (application of provisions to workers under arrangements made by intermediaries), in section 49 (engagements to which Chapter applies), for subsection (1)(c) substitute—
- “(c) the circumstances are such that—
 - (i) if the services were provided under a contract directly between the client and the worker, the worker would be regarded for income tax purposes as an employee of the client or the holder of an office under the client, or

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

(ii) the worker is an office-holder who holds that office under the client and the services relate to the office.”

(2) This section has effect for the tax year 2013-14 and subsequent tax years.

23 Taxable benefit of cars: the appropriate percentage

(1) Section 139 of ITEPA 2003 (car with CO₂ figure: the appropriate percentage) is amended in accordance with subsections (2) to (6).

(2) In subsection (2), after “the relevant threshold” omit “for the year”.

(3) For subsection (2)(a) substitute—

“(a) if the car's CO₂ emissions figure does not exceed 50 grams per kilometre driven, 5%,

(aa) if the car's CO₂ emissions figure exceeds 50 grams per kilometre driven but does not exceed 75 grams per kilometre driven, 9%, and”.

(4) In subsection (2)(b), for “11%” substitute “ 13% ”.

(5) In subsection (3)—

(a) after “the relevant threshold” omit “for the year”, and

(b) for “12%” substitute “ 14% ”.

(6) In subsection (4)—

(a) after “the relevant threshold” (in both places) omit “for the year”, and

(b) in paragraph (b), for “35%” substitute “ 37% ”.

(7) Section 140 of that Act (car without CO₂ figure: the appropriate percentage) is amended in accordance with subsections (8) to (11).

(8) In the Table in subsection (2), for “35%” substitute “ 37% ”.

(9) For subsection (3)(a) substitute—

“(a) 5% if the car cannot in any circumstances emit CO₂ by being driven, and”.

(10) In subsection (3)(b), for “35%” substitute “ 37% ”.

(11) Omit subsection (3A).

(12) The amendments made by this section have effect for the tax year 2015-16 and subsequent tax years.

24 Gains from contracts for life insurance etc

Schedule 8 amends Chapter 9 of Part 4 of ITTOIA 2005 (gains from contracts for life insurance etc).

25 Qualifying insurance policies

Schedule 9 amends Schedule 15 to ICTA (qualifying insurance policies) and makes other provision relating to qualifying policies under Schedule 15 to ICTA.

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

26 Transfer of assets abroad

Schedule 10 amends Chapter 2 of Part 13 of ITA 2007 (tax avoidance: transfer of assets abroad).

27 Payments of interest

Schedule 11 contains provision in connection with the payment of interest for the purposes of income tax.

28 Disguised interest

Schedule 12 contains provision about returns which are economically equivalent to interest.

CHAPTER 3

CORPORATION TAX: GENERAL

Losses, other reliefs and deductions

29 Restriction on surrender of losses: controlled foreign company cases

(1) Section 105 of CTA 2010 (restriction on surrender of losses etc within section 99(1) (d) to (g)) is amended as follows.

(2) In subsection (2), for “the surrendering company's gross profits of the surrender period” substitute “ the profit-related threshold ”.

(3) In subsection (3), for “those gross profits” substitute “ the profit-related threshold ”.

(4) After subsection (3) insert—

“(3A) The profit-related threshold” is the sum of—

- (a) the surrendering company's gross profits of the surrender period, and
- (b) where chargeable profits of a CFC for an accounting period ending in the surrender period are apportioned to the surrendering company in accordance with step 3 in subsection (1) of 371BC of TIOPA 2010 and the surrendering company is in relation to that accounting period of the CFC a chargeable company for the purposes of step 4 in that subsection, the total of the chargeable profits so apportioned.

(3B) Where—

- (a) an accounting period of a CFC ending in the surrender period is one to which (because of paragraph 50 of Schedule 20 of FA 2012) the repeal of Chapter 4 of Part 17 of ICTA does not apply,
- (b) chargeable profits of the CFC for that accounting period are apportioned to the surrendering company in accordance with sections 747(3) and 752 of ICTA, and
- (c) the surrendering company is not prevented by section 747(5) of ICTA from being chargeable to tax in respect of the CFC for that accounting period,

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

the profit-related threshold also includes the total of the chargeable profits so apportioned.”

(5) After subsection (5) insert—

“(5A) For the purposes of this section—

“CFC” has the same meaning as in Part 9A of TIOPA 2010, except that in subsection (3B) it means a controlled foreign company as defined by section 747(2) of ICTA;

“chargeable profits”, in relation to a CFC, is to be read in accordance with section 371BA(3) of TIOPA 2010, except that in subsection (3B) it is to be read in accordance with section 747(6) of ICTA.”

(6) The amendments made by this section have effect where the surrender period of the surrendering company ends on or after 20 March 2013, but subject to the following.

(7) For the purposes of section 105(3A)(b) and (3B)(b) of CTA 2010, chargeable profits do not include—

- (a) chargeable profits for an accounting period within the meaning of Part 9A of TIOPA 2010 ending before 20 March 2013, or
- (b) chargeable profits for an accounting period within the meaning of Chapter 4 of Part 17 of ICTA ending before that date.

(8) Subsection (9) applies where—

- (a) an accounting period within the meaning of Part 9A of TIOPA 2010, or
- (b) an accounting period within the meaning of Chapter 4 of Part 17 of ICTA, falls partly before and partly on or after 20 March 2013.

(9) For the purposes of section 105 of CTA 2010, the chargeable profits of the CFC for that period, so far as apportioned to the surrendering company as mentioned in subsection (3A)(b) or (3B)(b) of that section (as the case requires), are to be further apportioned on a just and reasonable basis between the two parts of the period, and the chargeable profits referred to in subsection (3A)(b) or (3B)(b) are not to include the chargeable profits apportioned to the part ending before 20 March 2013.

30 Loss relief surrenderable by non-UK resident established in EEA state

(1) Section 107 of CTA 2010 (surrender of losses etc) is amended as follows.

(2) After subsection (1) insert—

“(1A) If the surrendering company is established in the EEA (within the meaning of section 134A), it may surrender a loss or other amount under this Chapter only so far as conditions A and B are met.

Subsection (6A) imposes restrictions on a surrender under this subsection.”

(3) In subsection (2) for “The” substitute “ In any other case, the ”.

(4) After subsection (6) insert—

“(6A) A loss or other amount may not be surrendered by virtue of subsection (1A) if and to the extent that it, or any amount brought into account in calculating it, corresponds to, or is represented in, amounts within subsection (6B).

Status: Point in time view as at 31/10/2013.

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2013, PART 1. (See end of Document for details)*

(6B) An amount is within this subsection if, for the purposes of non-UK tax chargeable under the law of a territory, the amount is (in any period) deducted from or otherwise allowed against non-UK profits of any person.”

- (5) In subsection (7), after “subsection (6)” insert “ or (6B) ”.
- (6) The amendments made by this section have effect in relation to accounting periods beginning on or after 1 April 2013.
- (7) But for this purpose an accounting period beginning before, and ending on or after, 1 April 2013 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.
- (8) An apportionment for the purposes of subsection (7) must be made in accordance with section 1172 of CTA 2010 (time basis) or, if that method produces a result that is unjust or unreasonable, on a just and reasonable basis.

31 Arrangements for transfers of companies

- (1) In section 156 of CTA 2010 (definition of “arrangements” for purposes of sections 154 to 155B, etc)—
- (a) in subsection (2), in paragraph (b), after “include” insert “—
(i)”,
 - (b) at the end of that paragraph insert “, or
(ii) a condition or requirement imposed by, or agreed with, a Minister of the Crown, the Scottish Ministers, a Northern Ireland department or a statutory body.”, and
 - (c) after that subsection insert—
- “(2A) In subsection (2) “statutory body” means a body (other than a company as defined by section 1(1) of the Companies Act 2006) established by or under a statutory provision for the purpose of carrying out functions conferred on it by or under a statutory provision, except that the Treasury may, by order, specify that a body is or is not to be a statutory body for this purpose.”
- (2) In sections 154(3) and 155(3) of that Act (arrangements for transfers), for “154A” substitute “ 155A ”.
- (3) In section 188 of that Act (other definitions for Part 5), in subsection (1), after “company” insert “ (except in section 156(2A) ”.
- (4) The amendments made by this section have effect in relation to accounting periods ending on or after 1 April 2013.

32 Change in company ownership: company reconstructions

- (1) For section 676 of CTA 2010 (disallowance of trading losses where company reconstruction without a change of ownership) substitute—

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

“676 Company reconstructions

- (1) Subsection (2) applies if, before the change in ownership—
 - (a) a trade carried on by another company (“the predecessor company”) is transferred to the company, and
 - (b) the transfer is a transfer to which Chapter 1 of Part 22 applies (transfers of trade without a change of ownership).
 - (2) In determining any relief available to the company by virtue of section 944(3) (carry forward of trading losses in successor company), this Chapter applies as if—
 - (a) references to a trade carried on by the company included the trade as carried on by the predecessor company or by any predecessor of that company, and
 - (b) any loss sustained by the predecessor company or any predecessor of that company had been sustained by the company.
 - (3) Subsection (4) applies if, after the change in ownership—
 - (a) a trade carried on by the company is transferred to another company (“the successor company”), and
 - (b) the transfer is a transfer to which Chapter 1 of Part 22 applies.
 - (4) In determining—
 - (a) any relief available to the company under section 45 (carry forward of trading losses), or
 - (b) any relief available to the successor company or any successor of that company by virtue of section 944(3),this Chapter applies as if references to a trade carried on by the company included the trade as carried on by the successor company or by any successor of that company.
 - (5) For the purposes of this section a company (“company A”) is a predecessor of another company (“company B”), and company B is a successor of company A, if the first or second condition is met.
 - (6) The first condition is that Chapter 1 of Part 22 applies in relation to company A and company B as respectively the predecessor and the successor within the meaning of that Chapter.
 - (7) The second condition is that—
 - (a) Chapter 1 of Part 22 applies in relation to company A and a third company (“company C”) as respectively the predecessor and the successor within the meaning of that Chapter, and
 - (b) company C is (whether by virtue of the first condition or this condition) a predecessor of company B.”
- (2) The amendment made by this section has effect in relation to changes in ownership that occur on or after 20 March 2013.

33 Change in company ownership: shell companies

Schedule 13—

Status: Point in time view as at 31/10/2013.

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2013, PART 1. (See end of Document for details)*

- (a) inserts into Part 14 of CTA 2010 (change in company ownership) a new Chapter 5A (shell companies: restrictions on relief), and
- (b) makes consequential provision.

34 Transfer of deductions

Schedule 14—

- (a) inserts into CTA 2010 a new Part 14A (transfer of deductions), and
- (b) makes consequential provision.

35 R&D expenditure credits

Schedule 15 contains provision about R&D expenditure credits.

36 Relief for television production and video games development

- (1) Schedule 16 contains provision about television production.
- (2) Schedule 17 contains provision about video games development.
- (3) Schedule 18 contains consequential amendments.

Exemption from charge

37 Health service bodies: exemption

In section 986 of CTA 2010 (exemption from corporation tax: meaning of “health service body”), insert the following entries at the appropriate places in the table—

“a clinical commissioning group	section 1I of the National Health Service Act 2006”
“Health and Social Care Information Centre	section 252 of the Health and Social Care Act 2012”
“National Health Service Commissioning Board	section 1H of the National Health Service Act 2006”
“National Institute for Health and Care Excellence	section 232 of the Health and Social Care Act 2012”.

38 Chief constables etc (England and Wales): exemption

- (1) In Chapter 8 of Part 22 of CTA 2010 (exemptions), after section 987 insert—

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

“Police

987A Chief constables etc (England and Wales)

The following are not liable to corporation tax—

- (a) a chief constable of a police force maintained under section 2 of the Police Act 1996;
 - (b) the Commissioner of Police of the Metropolis.”
- (2) The amendment made by this section is treated as having come into force on 16 January 2012, but, in relation to any time before 22 November 2012, section 987A of CTA 2010 has effect as if paragraph (a) were omitted.

Other provisions

39 Real estate investment trusts: UK REITs which invest in other UK REITs

Schedule 19 amends Part 12 of CTA 2010 (real estate investment trusts).

40 Corporation tax relief for employee share acquisitions etc

- (1) Chapter 6 of Part 12 of CTA 2009 (relief for employee share acquisitions: relationship between relief under Part 12 and other reliefs) is amended as follows.
- (2) For section 1038 substitute—

“1038 Exclusion of other deductions

- (1) Subsection (2) applies if relief is or, apart from condition 2 in section 1009(1), would be available under this Part.

For this purpose, it does not matter if the amount of the relief is or would be calculated as nil.

- (2) Except as provided for by this Part, for the purpose of calculating any company's profits for corporation tax purposes for any accounting period, no deduction is allowed—
 - (a) in relation to the provision of the shares or to any matter connected with the provision of the shares, or
 - (b) so far as not covered by paragraph (a) in a case in which the shares are acquired pursuant to an option, in relation to the option or to any matter connected with the option.
- (3) In a case in which section 1022 has applied, in subsection (2)(b) references to the option cover the new option and any relevant earlier qualifying option.
- (4) For the purposes of subsection (2) it does not matter if the accounting period in question falls wholly before or after the time at which the shares are acquired.
- (5) In a case in which the shares are acquired under an employee share scheme, the deductions disallowed by subsection (2) include (in particular) deductions

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

for amounts paid or payable by the employing company in relation to the participation of the employee in the scheme.

- (6) But subsection (2) does not disallow deductions for—
- (a) expenses incurred in setting up the scheme,
 - (b) expenses incurred in meeting, or contributing to, the costs of administering the scheme,
 - (c) the costs of borrowing for the purposes of the scheme, or
 - (d) fees, commission, stamp duty, stamp duty reserve tax, and similar incidental expenses of acquiring the shares.
- (7) “Employee share scheme” means a scheme or arrangement for enabling shares to be acquired because of persons' employment.
- (8) In a case in which relief is or, apart from condition 2 in section 1009(1), would be available under Chapter 5 by virtue of section 1030(2), subsection (2) does not disallow deductions in relation to the provision of the convertible securities.”
- (3) After section 1038 insert—

“1038A Exclusion of deductions for share options: shares not acquired

- (1) Subsection (2) applies if—
- (a) a person obtains an option to acquire shares and the requirements of section 1015(1)(a) to (c) are met in relation to the obtaining of the option, or
 - (b) so far as not covered by paragraph (a), a person obtains an option to acquire shares and the obtaining of the option is connected with an option previously obtained in a case covered by paragraph (a) or this paragraph.
- (2) For the purpose of calculating any company's profits for corporation tax purposes for any accounting period, no deduction is allowed in relation to—
- (a) the option, or
 - (b) any matter connected with the option,
- unless the shares are acquired pursuant to the option.
- (3) For the purposes of subsection (2) it does not matter if the accounting period in question falls wholly before or after the time at which the option is obtained.
- (4) In a case in which the shares would be acquired under an employee share scheme, the deductions disallowed by subsection (2) include (in particular) deductions for amounts paid or payable by the employing company in relation to the participation of the employee in the scheme.
- (5) But subsection (2) does not disallow deductions for—
- (a) expenses incurred in setting up the scheme,
 - (b) expenses incurred in meeting, or contributing to, the costs of administering the scheme,
 - (c) the costs of borrowing for the purposes of the scheme, or
 - (d) fees, commission, stamp duty, stamp duty reserve tax, and similar incidental expenses of acquiring the shares.

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (6) “Employee share scheme” means a scheme or arrangement for enabling shares to be acquired because of persons' employment.
- (7) Subsection (2) does not disallow deductions for—
- (a) amounts on which the employee is subject to a charge under ITEPA 2003,
 - (b) amounts on which the employee would have been subject to a charge under ITEPA 2003 had the employee been a UK employee at all material times, or
 - (c) if the employee has died, amounts on which the employee would have been subject to a charge under ITEPA 2003 had the employee been alive.
- (8) “UK employee” is to be read in accordance with section 1017(4).”
- (4) For the purposes of the following subsections—
- “pre-20 March 2013 relevant accounting period” means an accounting period which begins before 20 March 2013 but ends on or after that date, and
- “relevant accounting period” means an accounting period which ends on or after 20 March 2013.
- (5) The amendment made by subsection (2) above has effect for the purpose of disallowing deductions for relevant accounting periods.
- For this purpose, it does not matter if the acquisition of shares which gives rise, or would give rise, to the relief under Part 12 of CTA 2009 occurs before a company's first relevant accounting period.
- (6) But the amendment made by subsection (2) above has no effect for the purpose of disallowing a deduction for a pre-20 March 2013 relevant accounting period where the acquisition of shares which gives rise, or would give rise, to the relief under Part 12 of CTA 2009 occurs before 20 March 2013.
- (7) The amendment made by subsection (3) above has effect for the purpose of disallowing deductions for relevant accounting periods.
- For this purpose, it does not matter if the option is obtained before a company's first relevant accounting period.
- (8) But the amendment made by subsection (3) above has no effect for the purpose of disallowing a deduction for a pre-20 March 2013 relevant accounting period where—
- (a) the option is obtained before 20 March 2013, and
 - (b) before that date, an event (for example, the lapse or cancellation of the option) occurs in consequence of which the shares cannot be acquired pursuant to the option.

41 Derivative contracts: property total return swaps etc

- (1) Chapter 7 of Part 7 of CTA 2009 (chargeable gains arising in relation to derivative contracts) is amended as follows.
- (2) In section 643 (contracts relating to land or certain tangible movable property)—
- (a) in subsection (1), for “and C” substitute “, C and D”, and
 - (b) after subsection (4) insert—

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

“(4A) Condition D is that no two or more of the parties to the derivative contract are connected persons.”

(3) In section 650 (property based total return swaps)—

- (a) in subsection (1), for “to F” substitute “ to H ”, and
- (b) after subsection (7) insert—

“(8) Condition G is that no two or more of the parties to the derivative contract are connected persons.

(9) Condition H is that the securing of a tax advantage is neither the main purpose, nor one of the main purposes, for which the company is a party to the derivative contract.

“Tax advantage” has the meaning given by section 1139 of CTA 2010.”

(4) In section 659 (meaning of “relevant credits” and “relevant debits”), after subsection (4) insert—

“(4A) But if the derivative contract has effect such that the return arising from the contract, so far as calculated by reference to that index, is calculated by reference to a percentage (“the capped percentage”) which is closer to zero than the full percentage change in that index over that period (or which is zero even though there has been a change in that index), for the purposes of subsection (4) R% is the capped percentage.”

(5) The amendments made by this section have effect in relation to accounting periods beginning on or after 5 December 2012.

(6) But, for the purposes of subsection (5), an accounting period beginning before, and ending on or after, 5 December 2012 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.

42 Corporation tax: tax mismatch schemes

Schedule 20 contains provision about tax mismatch schemes.

43 Tier two capital

(1) CTA 2010 is amended as follows.

(2) In section 162 (meaning of “normal commercial loan”), after subsection (1) insert—

“(1A) For those purposes, “normal commercial loan” also includes any loan which is not a normal commercial loan by virtue of subsection (1) but is such a loan by virtue of section 164A(1) (loan forming part of tier two capital).”

(3) After section 164 insert—

“164A Loan forming part of tier two capital

(1) A loan is a normal commercial loan by virtue of this subsection if it—

- (a) was made to a bank or a parent undertaking of a bank, and

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (b) forms part of the tier two capital resources of the bank or parent undertaking.
- (2) Subsection (1) does not apply in the case of any loan if there are arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage for any person as a result of the application of that subsection in respect of that loan.
- (3) For the purposes of this section—
 - (a) “bank” has the meaning given by section 1120,
 - (b) “tax advantage” has the meaning given by section 1139,
 - (c) “parent undertaking” is to be read in accordance with section 420 of FISMA 2000, and
 - (d) the reference to tier two capital resources is to be read in accordance with the PRA Handbook made by the Prudential Regulation Authority (as that Handbook has effect from time to time).
- (4) In relation to any time before 1 April 2013, the reference in subsection (3)(d) to the PRA Handbook is to be read as a reference to the Handbook of Rules and Guidance made by the Financial Services Authority (as that Handbook had effect at the time in question).”
- (4) In section 1029(1) (overview), after paragraph (c) insert—
 - “(ca) section 1032A (payment in respect of tier two capital),”.
- (5) After section 1032 insert—

“Tier two capital

1032A Payment in respect of tier two capital

- (1) A payment made in respect of tier two securities is not a distribution for the purposes of the Corporation Tax Acts.
- (2) Subsection (1) does not apply in the case of any tier two securities if there are arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage for any person as a result of the application of that subsection in respect of those securities.
- (3) For the purposes of this section—
 - (a) “tier two securities” means securities (other than shares) issued by a bank or a parent undertaking of a bank that form part of the tier two capital resources of the bank or parent undertaking,
 - (b) “bank” has the meaning given by section 1120,
 - (c) “tax advantage” has the meaning given by section 1139,
 - (d) “parent undertaking” is to be read in accordance with section 420 of FISMA 2000, and
 - (e) the reference to tier two capital resources is to be read in accordance with the PRA Handbook made by the Prudential Regulation Authority (as that Handbook has effect from time to time).
- (4) In relation to any time before 1 April 2013, the reference in subsection (3)(e) to the PRA Handbook is to be read as a reference to the Handbook of Rules

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

and Guidance made by the Financial Services Authority (as that Handbook had effect at the time in question).”

- (6) The amendments made by this section are treated as having come into force on 26 October 2012.

44 Financing costs and income: group treasury companies

- (1) In section 316 of TIOPA 2010 (group treasury companies) for subsections (2) to (8) substitute—

- “(2) A company is a group treasury company in the relevant period if—
- (a) it is a member of the worldwide group,
 - (b) it undertakes treasury activities for the worldwide group in the relevant period (whether or not it also undertakes other activities),
 - (c) at least 90% of the relevant income of the company for the relevant period is group treasury revenue, and
 - (d) it makes an election in respect of the relevant period for the purposes of this section.
- (3) Subsection (4) applies if throughout the relevant period—
- (a) all or substantially all of the activities undertaken by a group treasury company consist of treasury activities undertaken by it for the worldwide group, and
 - (b) all or substantially all of the assets and liabilities of the company relate to such activities.
- (4) Where this subsection applies, the relevant amount, and all other amounts that are relevant amounts in respect of the group treasury company and the relevant period, are treated as not being a financing expense amount or a financing income amount of the group treasury company.
- (5) If subsection (4) does not apply, those relevant amounts are treated as not being a financing expense amount or a financing income amount of the group treasury company only to the extent that they relate to treasury activities undertaken by the company for the worldwide group.
- (6) For the purposes of subsection (5) the extent to which amounts relate to the matters mentioned is to be determined on a just and reasonable basis.
- (7) An election under this section must be made within 3 years after the end of the relevant period.”

- (2) The amendment made by this section has effect in relation to periods of account of the worldwide group beginning on or after 11 December 2012.

45 Condition for company to be an “investment trust”

- (1) In section 1158(2) of CTA 2010 (condition A for a company to be an “investment trust”), for “the business of the company consists of” substitute “all, or substantially all, of the business of the company is”.
- (2) The amendment made by this section has effect in relation to accounting periods beginning on or after 1 January 2012.

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

46 Community amateur sports clubs

Schedule 21 contains provision about community amateur sports clubs.

CHAPTER 4

PENSIONS

47 Lifetime allowance charge: power to amend the transitional provision in Part 2 of Schedule 18 to FA 2011 etc

(1) Part 2 of Schedule 18 to FA 2011 (lifetime allowance charge: commencement and transitional provision relating to changes made for the tax year 2012-13 and onwards) is amended as follows.

(2) In paragraph 14—

- (a) omit sub-paragraphs (2) and (15) to (17) (which confer power on the HMRC Commissioners to make provision specifying how notices under paragraph 14 are to be given),
- (b) in sub-paragraph (7) omit “the annual rate of” where it first appears, and
- (c) in sub-paragraph (11) after “(5)(a)” insert “ and (c)(i) ”.

(3) After paragraph 14 insert—

“15

- (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations amend paragraph 14.
- (2) Regulations under this paragraph may (for example) add to the cases in which paragraph 14 is to apply or is to cease to apply.
- (3) Regulations under this paragraph may include provision having effect in relation to a time before the regulations are made; but—
 - (a) the time must be no earlier than 6 April 2012, and
 - (b) the provision must not increase any person's liability to tax.
- (4) In relation to regulations under this paragraph made during 2013, sub-paragraph (3) has effect with the omission of paragraph (b) so long as the time in question is no earlier than 6 April 2013.

16

- (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision specifying how any notice required to be given to an officer of Revenue and Customs under paragraph 14 is to be given.
- (2) In sub-paragraph (1) the reference to paragraph 14 is to that paragraph as amended from time to time by regulations under paragraph 15.

17

- (1) Regulations under paragraph 15 or 16 may include supplementary or incidental provision.

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (2) The powers to make regulations under paragraphs 15 and 16 are exercisable by statutory instrument.
- (3) A statutory instrument containing regulations under paragraph 15 or 16 is subject to annulment in pursuance of a resolution of the House of Commons.”
- (4) The amendments made by subsection (2)(b) and (c) are treated as having come into force on 6 April 2012.
- (5) The Registered Pension Schemes (Lifetime Allowance Transitional Protection) Regulations 2011 (S.I. 2011/1752) are to continue to have effect and, so far as they were made under paragraph 14(2) and (15) of Schedule 18 to FA 2011, are to be treated as if they were made under paragraphs 16 and 17(1) of that Schedule (as inserted by subsection (3) above).
- 48 Lifetime allowance charge: new standard lifetime allowance for the tax year 2014-15 and subsequent tax years**
- (1) Section 218 of FA 2004 (standard lifetime allowance etc) is amended as follows.
- (2) For subsection (2) substitute—
- “(2) The standard lifetime allowance for the tax year 2014-15 and, subject to subsection (3), subsequent tax years is £1,250,000.”
- (3) In subsection (3) for “the tax year 2012-13” substitute “ the tax year 2014-15 ”.
- (4) The amendments made by subsections (2) and (3) have effect for the tax year 2014-15 and subsequent tax years.
- (5) Schedule 22 contains transitional provision etc.
- 49 Annual allowance: new annual allowance for the tax year 2014-15 and subsequent tax years**
- (1) Section 228 of FA 2004 (annual allowance) is amended as follows.
- (2) For subsection (1) substitute—
- “(1) The annual allowance for the tax year 2014-15 and, subject to subsection (2), each subsequent tax year is £40,000.”
- (3) In subsection (2) for “2011-12” substitute “ 2014-15 ”.
- (4) The amendments made by this section have effect for the tax year 2014-15 and subsequent tax years.
- 50 Drawdown pensions and dependants' drawdown pensions**
- (1) In section 165 of FA 2004 (pension rules), in subsection (1), in pension rule 5, for “100%” substitute “ 120% ”.
- (2) In section 167 of that Act (pension death benefit rules), in subsection (1), in pension death benefit rule 4, for “100%” substitute “ 120% ”.
- (3) In Schedule 16 to FA 2011 (benefits under pension schemes)—

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (a) in paragraph 90(2)(a), after “year” insert “ beginning before 26 March 2013 and ”,
 - (b) in paragraph 90(3), omit paragraph (b) and the “and” before it,
 - (c) in paragraph 98(2)(a), after “year” insert “ beginning before 26 March 2013 and ”, and
 - (d) in paragraph 98(3), omit paragraph (b) and the “and” before it.
- (4) The amendments made by subsections (1) and (2) have effect in relation to drawdown pension years beginning on or after 26 March 2013.
- (5) The amendments made by subsection (3)(a) and (c) are treated as having come into force on 26 March 2013.
- (6) The amendments made by subsection (3)(b) and (d) have effect in relation to transfers within paragraph 90(5) or 98(5) of Schedule 16 to FA 2011 occurring during a drawdown pension year ending on or after 25 March 2013.

51 Bridging pensions

- (1) FA 2004 is amended as follows.
- (2) In paragraph 2 of Schedule 28 (pension rules: meaning of scheme pension)—
- (a) in sub-paragraph (4)(c)—
 - (i) for the words from “not earlier” to “65” substitute “ during the permitted period ”, and
 - (ii) after “which” insert “ together with any previous reductions of the kind referred to in this paragraph (c) ”, and
 - (b) after sub-paragraph (4A) insert—

“(4B) In sub-paragraph (4)(c) “the permitted period” means the period beginning with the day on which the member reaches the age of 60 and ending with the day on which the member reaches the age of 65 or, if later, reaches pensionable age.”
- (3) In paragraph 1 of Schedule 29 (pension commencement lump sums), in sub-paragraph (4)(a), omit the words from “at a time” to “65”.
- (4) In consequence of subsection (3), paragraph 21 of Schedule 23 to the FA 2006 is repealed.
- (5) The amendments made by this section have effect for the tax year 2013-14 and subsequent tax years.

52 Abolition of contracting out of state second pension: consequential amendments etc

- (1) FA 2004 is amended as follows.
- (2) In section 188 (relief for contributions), in subsection (3) (contributions excluded from relief), omit paragraph (c) and the word “and” immediately preceding that paragraph.
- (3) In that section, omit subsection (6) (which treats certain amounts recovered by individual's employer as contributions paid by individual).
- (4) Omit section 190(5) (certain reliefs not to count towards annual limit for relief).

Status: Point in time view as at 31/10/2013.

*Changes to legislation: There are currently no known outstanding effects
 for the Finance Act 2013, PART 1. (See end of Document for details)*

- (5) Omit section 196(5) (references to contributions to include references to minimum payments when determining relief for employers).
- (6) Omit section 202 (minimum contributions under pensions legislation).
- (7) Omit section 233(2) (references to contributions not to include references to minimum payments when determining pension input amount).
- (8) In paragraph 5 of Schedule 29 (short service refund lump sum), after sub-paragraph (2) insert—
 - “(2A) In sub-paragraph (2) the reference to the member's contributions includes—
 - (a) any amount paid under section 7 of the Social Security Act 1986 (incentive payments to schemes becoming contracted-out between 1986 and 1993),
 - (b) any amount paid by the Commissioners for Her Majesty's Revenue and Customs under section 42A(3) of the Pension Schemes Act 1993 or section 38A(3) of the Pension Schemes (Northern Ireland) Act 1993 (rebates), and
 - (c) any amount recovered by the member's employer under regulations falling within sub-paragraph (2B) in respect of minimum payments made to the scheme in relation to any period before 6 April 2012.
 - (2B) Those regulations are regulations which were made under—
 - (a) section 8(3) of the Pension Schemes Act 1993 (recovery of minimum payments), or
 - (b) section 4(3) of the Pension Schemes (Northern Ireland) Act 1993 (corresponding provision for Northern Ireland).”
- (9) Omit paragraph 14(2) of Schedule 36 (which excludes minimum payments from being relevant contributions for the purposes of enhanced protection from lifetime allowance charge).
- (10) Subsections (1), (3) to (5) and (7) to (9) come into force on 6 April 2013.
- (11) Subsection (2) comes into force on 6 April 2015.
- (12) Subsection (6) comes into force on 6 April 2016, except that the repeal of section 202(5) of FA 2004 comes into force on such day as the Treasury may appoint by order made by statutory instrument.

53 Overseas pension schemes: general

- (1) In section 150(8) of FA 2004 (meaning of “recognised overseas pension scheme”), for the words from “which” to the end substitute “ which satisfies any requirements prescribed for the purposes of this subsection by regulations made by the Commissioners for Her Majesty's Revenue and Customs. ”
- (2) Section 169 of that Act (pension schemes: recognised transfers) is amended as follows.
- (3) In subsection (2)(c), for “any prescribed information requirements imposed on the scheme manager” substitute “ any requirements imposed under subsection (4) ”.
- (4) For subsection (4) substitute—

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- “(4) Regulations may require the scheme manager of a QROPS or former QROPS to—
- (a) give the Commissioners information of a prescribed description,
 - (b) give the Commissioners such evidence as they may require of a prescribed matter, and
 - (c) give a prescribed authority, in prescribed circumstances, information of a prescribed description.
- (4A) Regulations under subsection (4) may make provision as to—
- (a) the way and form in which information or evidence is to be given, and
 - (b) the times or intervals at which information or evidence is to be given.
- (4B) The regulations may apply any provision of Part 7 of Schedule 36 to FA 2008 (penalties), with or without modifications, in relation to requirements imposed under the regulations on a former QROPS.”
- (5) In subsection (5)—
- (a) for “the Inland Revenue has” substitute “ the Commissioners have ”,
 - (b) for paragraph (a) (but not the “and” at the end of it) substitute—
 - “(a) any of the following conditions is met in relation to the scheme—
 - (i) there has been a failure to comply with a relevant requirement and the failure is significant,
 - (ii) any information given pursuant to a relevant requirement is incorrect in a material respect,
 - (iii) any declaration given pursuant to a relevant requirement is false in a material respect,
 - (iv) there is no scheme manager,”
 - (c) in paragraph (b), for “the failure” substitute “ that condition being met ”.
- (6) For subsection (6) substitute—
- “(6) A failure to comply with a requirement is significant if—
- (a) it is a failure to give information or evidence that is (or may be) of significance, or
 - (b) there are reasonable grounds for believing that the failure prejudices (or might prejudice) the assessment or collection of tax by the Commissioners.”
- (7) After subsection (7) insert—
- “(8) In subsections (4) to (6) and this subsection—
- “the Commissioners” means the Commissioners for Her Majesty’s Revenue and Customs;
 - “prescribed” means prescribed by regulations;
 - “QROPS” means a qualifying recognised overseas pension scheme, and “former QROPS” means a scheme that has at any time been a QROPS;
 - “regulations” means regulations made by the Commissioners;
 - “relevant requirement” means—
 - (a) a requirement imposed by regulations under subsection (4), or

Status: Point in time view as at 31/10/2013.

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2013, PART 1. (See end of Document for details)*

(b) a requirement imposed by virtue of Part 1 of Schedule 36 to FA 2008 (powers to obtain information and documents).”

(8) In section 280(1) of that Act (abbreviations), insert at the appropriate place—

““FA 2008” means the Finance Act 2008.”.

54 Overseas pension schemes: information and inspection powers

(1) Part 6 of Schedule 36 to FA 2008 (information and inspection powers: special cases) is amended as follows.

(2) In paragraph 34B (registered pension schemes etc)—

(a) in sub-paragraph (2), omit the “or” at the end of paragraph (b) and, at the end of paragraph (c) insert—

“(d) a QROPS or former QROPS, or

(e) an annuity purchased with sums or assets held for the purposes of a QROPS or former QROPS.”;

(b) after sub-paragraph (4) insert—

“(4A) In relation to a notice to which this paragraph applies that refers only to information or documents relating to a matter within sub-paragraph (2)(d) or (e), paragraph 20 (old documents) has effect as if the reference to 6 years were to 10 years.”;

(c) after sub-paragraph (7) insert—

“(7A) Where the notice relates to a matter within sub-paragraph (2)(d) or (e), the officer of Revenue and Customs who gives the notice must give a copy of the notice to the scheme manager in relation to the pension scheme.”;

(d) in sub-paragraph (8), for “and (7)” substitute “ to (7A) ”.

(3) In paragraph 34C (registered pension schemes etc: interpretation), insert at the appropriate places—

““QROPS” and “former QROPS” have the meanings given by section 169(8) of FA 2004.”;

““scheme manager”, in relation to a pension scheme, has the meaning given by section 169(3) of FA 2004.”

(4) In paragraphs 34B and 34C of Schedule 36 to FA 2008, references to a former QROPS include a scheme that ceased to be a QROPS before this Act was passed.

CHAPTER 5

OTHER PROVISIONS

Employee shareholder shares

55 Employee shareholder shares

Schedule 23 contains—

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (a) provision about employee shareholder shares, and
- (b) provision for an exemption from income tax in connection with advice relating to proposed employee shareholder agreements.

Seed enterprise investment scheme

56 SEIS: income tax relief

- (1) ITA 2007 is amended as follows.
- (2) In section 29 (tax reductions: supplementary), in subsection (4B), after the entry for Chapter 1 of Part 5 insert— “ Chapter 1 of Part 5A (SEIS relief), ”.
- (3) In section 32 (liability not dealt with in the calculation), after the entry for section 235 insert— “ under section 257G (withdrawal or reduction of SEIS relief), ”.
- (4) In section 257DG (the control and independence requirement), for subsection (2) substitute—
 - “(2) The independence element of the requirement is that—
 - (a) the issuing company must not at any time in period A (ignoring any on-the-shelf period) be within subsection (2A), and
 - (b) no arrangements must be in existence at any time in period A by virtue of which the issuing company could be within that subsection (whether during period A or otherwise).
 - (2A) The issuing company is within this subsection at any time if it is under the control of any other company (or of another company and any other person connected with that other company).
 - (2B) In subsection (2)(a) “on-the-shelf period” means a period during which the issuing company—
 - (a) has not issued any shares other than subscriber shares, and
 - (b) has not begun to carry on, or make preparations for carrying on, any trade or business.”
- (5) The amendments made by subsections (2) and (3) have effect for the tax year 2013-14 and subsequent tax years.
- (6) The amendment made by subsection (4) has effect in relation to shares issued on or after 6 April 2013.

57 SEIS: re-investment relief

- (1) Schedule 5BB to TCGA 1992 (seed enterprise investment scheme: re-investment) is amended as follows.
- (2) In paragraph 1 (SEIS re-investment relief)—
 - (a) in sub-paragraph (2)—
 - (i) in paragraph (a), after “the tax year 2012-13” insert “ or the tax year 2013-14 (the year in question being referred to in this Schedule as “the relevant year”) ”, and
 - (ii) in paragraph (b), for “that year” substitute “ the relevant year ”,

Status: Point in time view as at 31/10/2013.

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2013, PART 1. (See end of Document for details)*

- (b) in sub-paragraph (3)(a), for “tax year 2012-13” substitute “ relevant year ”, and
- (c) for sub-paragraph (5) substitute—
 - “(5) The relevant percentage of the available SEIS expenditure is to be set against a corresponding amount of the original gain.
 - (5A) In sub-paragraph (5)—
 - “the available SEIS expenditure” means so much of the SEIS expenditure as—
 - (a) is specified in the claim,
 - (b) is unused, and
 - (c) does not exceed so much of the original gain as is unmatched;
 - “the relevant percentage” means—
 - (a) if the relevant year is the tax year 2012-13, 100%, and
 - (b) if the relevant year is the tax year 2013-14, 50%.”
- (3) In paragraph 2 (restrictions on relief under paragraph 1)—
 - (a) in sub-paragraph (1), for “tax year 2012-13” substitute “ relevant year ”, and
 - (b) in sub-paragraph (2)—
 - (i) for “tax year 2012-13” substitute “ relevant year ”, and
 - (ii) for “that tax year” substitute “ that year ”.
- (4) In paragraph 5 (removal or reduction of relief) in sub-paragraph (2) for “2012-13” substitute “ in which the shares were issued ”.
- (5) Accordingly, in section 150G of TCGA (which introduces Schedule 5BB), for “tax year 2012-13” substitute “ tax years 2012-13 and 2013-14 ”.

Disincorporation

58 Disincorporation relief

- (1) A claim for relief under this section (“disincorporation relief”) may be made where—
 - (a) a company transfers its business to some or all of the shareholders of the company,
 - (b) the transfer of the business is a qualifying business transfer (see section 59), and
 - (c) the business transfer date falls within the period of 5 years beginning with 1 April 2013.
- (2) As to the consequences of a claim for disincorporation relief being made, see—
 - sections 162B and 162C of TCGA 1992;
 - section 849A of CTA 2009.
- (3) In this section and sections 59 to 61 “the business transfer date”, in relation to the transfer of a business, is the date on which the business is transferred.

For this purpose, where the business is transferred under a contract—

- (a) the date on which the business is transferred is to be determined in accordance with section 28 of TCGA 1992, and

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (b) if the business in question is transferred by more than one contract, then for the purposes of that section the contract under which the business is transferred is to be taken to be the contract under which the goodwill of the business is transferred.

- (4) This section and sections 59 and 60 apply to a transfer of a business with a business transfer date of 1 April 2013 or a later date.

59 Qualifying business transfer

- (1) The transfer of a business from a company to some or all of the shareholders of the company is a qualifying business transfer for the purposes of section 58 if conditions A to E are met.
- (2) Condition A is that the business is transferred as a going concern.
- (3) Condition B is that the business is transferred together with all of the assets of the business, or together with all of those assets other than cash.
- (4) Condition C is that the total market value of the qualifying assets of the business included in the transfer does not exceed £100,000.
- (5) Condition D is that all of the shareholders to whom the business is transferred are individuals.
- (6) Condition E is that each of those shareholders held shares in the company throughout the period of 12 months ending with the business transfer date.
- (7) For the purposes of condition D, the reference to individuals includes an individual acting as a member of a partnership, but does not include an individual acting as a member of a limited liability partnership.
- (8) Section 60 of TCGA 1992 (nominees and bare trustees) applies for the purposes of this section as it applies for the purposes of that Act.
- (9) In this section “market value”, in relation to an asset, means the price which the asset might reasonably be expected to fetch on a sale in the open market.
- (10) In this section a “qualifying asset” means—
 - (a) goodwill, or
 - (b) an interest in land which is not held as trading stock.

60 Making a claim

- (1) A claim for disincorporation relief under section 58—
 - (a) is to be made jointly by the company and all of the shareholders to whom the business is transferred, and
 - (b) is irrevocable.
- (2) Any claim for disincorporation relief must be made within the period of 2 years beginning with the business transfer date.

Status: Point in time view as at 31/10/2013.

*Changes to legislation: There are currently no known outstanding effects
 for the Finance Act 2013, PART 1. (See end of Document for details)*

61 Effect of disincorporation relief

- (1) In Part 5 of TCGA 1992 (transfer of business assets), in Chapter 1 (general provisions), after section 162A insert—

“Transfer of business from company to shareholders

162B Disincorporation relief: assets (including pre-FA 2002 goodwill)

- (1) This section applies where—
- (a) a company transfers its business to some or all of the shareholders of the company, and
 - (b) a claim for disincorporation relief in respect of the transfer has been made under section 58 of the Finance Act 2013.
- (2) The disposal and acquisition of any qualifying asset of the business included in the transfer is to be deemed to be for a consideration equal to the lower of—
- (a) the sums allowable under section 38 as a deduction in the computation of the gain accruing to the company on the disposal of the asset in question, and
 - (b) the market value of the asset.
- (3) In subsection (2) a “qualifying asset” means—
- (a) goodwill, or
 - (b) an interest in land which is not held as trading stock.
- (4) But subsection (2) does not apply to the goodwill of the business if section 162C applies to it.

162C Disincorporation relief: post-FA 2002 goodwill

- (1) This section applies where—
- (a) a company transfers its business to some or all of the shareholders of the company,
 - (b) a claim for disincorporation relief in respect of the transfer has been made under section 58 of the Finance Act 2013, and
 - (c) section 849A of CTA 2009 (disincorporation relief: transfer values for post-FA 2002 goodwill) applies to the transfer of the goodwill of the business.
- (2) The acquisition of the goodwill of the business is deemed to be for a consideration equal to the value at which the goodwill is treated as transferred by virtue of section 849A of CTA 2009.”
- (2) In Part 8 of CTA 2009 (intangible fixed assets), Chapter 13 (transactions between related parties) is amended as follows.
- (3) In section 844 (overview of Chapter), in subsection (2) for “849” substitute “ 849A ”.
- (4) In section 845 (transfer between company and related party treated as at market value), in subsection (4) (exceptions to basic rule)—
- (a) omit the “and” at the end of paragraph (ca), and
 - (b) after paragraph (d) insert “, and

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

(e) section 849A (disincorporation relief: transfer values for post-FA 2002 goodwill).”

(5) After section 849 insert—

“849A Disincorporation relief: transfer values for post-FA 2002 goodwill

- (1) This section applies where—
- (a) a company transfers its business to some or all of the shareholders of the company, and
 - (b) a claim for disincorporation relief in respect of the transfer has been made under section 58 of the Finance Act 2013.
- (2) If section 735 applies to the transfer of the goodwill of the business, the transfer is treated for the purposes of this Part as being at the lower of—
- (a) the tax written-down value of the goodwill, and
 - (b) its market value.
- (3) If section 736 applies to the transfer of the goodwill of the business, the transfer is treated for the purposes of this Part as being at the lower of—
- (a) the cost of the goodwill, and
 - (b) its market value.
- (4) If section 738 applies to the transfer of the goodwill of the business, the proceeds of realisation of the goodwill are treated for the purposes of this Part as being nil.
- (5) In subsection (2)(a) the reference to the tax written-down value of the goodwill is to its tax written-down value immediately before the transfer.
- (6) In subsection (3)(a) “the cost of the goodwill” means the cost recognised for tax purposes (determined in accordance with section 736(6) and (7)).
- (7) In this section market value has the meaning given in section 845(5).”
- (6) The amendments made by this section have effect in relation to a transfer of a business with a business transfer date of 1 April 2013 or a later date.

Capital gains

62 Attribution of gains to members of non-resident companies

- (1) TCGA 1992 is amended as follows.
- (2) In subsection (4) of section 13 (members to whom rule for attributing gains to members of non-resident companies does not apply), for “one tenth” substitute “one quarter”.
- (3) In subsection (5) of that section (cases where rule for attributing gains to members of non-resident companies does not apply), after the “or” at the end of paragraph (b) insert—
- “(ca) a chargeable gain accruing on the disposal of an asset used, and used only, for the purposes of economically significant activities carried on by the company wholly or mainly outside the United Kingdom, or

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (cb) a chargeable gain accruing to the company on a disposal of an asset where it is shown that neither—
- (i) the disposal of the asset by the company, nor
 - (ii) the acquisition or holding of the asset by the company,
- formed part of a scheme or arrangements of which the main purpose, or one of the main purposes, was avoidance of liability to capital gains tax or corporation tax, or”.
- (4) After section 13 insert—

“13A Section 13(5): interpretation

- (1) For the purposes of section 13(5)(b) a disposal of an asset is to be regarded as a disposal of an asset used for the purposes of a trade carried on wholly outside the United Kingdom by a company if—
- (a) the asset is accommodation, or an interest or right in accommodation, which is situated outside the United Kingdom, and
 - (b) the accommodation has for each relevant period been furnished holiday accommodation of which a person has made a commercial letting.
- (2) For the purposes of subsection (1)(b) each of the following is “a relevant period”—
- (a) the period of 12 months ending with the date of the disposal and each of the two preceding periods of 12 months, or
 - (b) if the company has been the beneficial owner of the accommodation (or interest or right) for a period longer than 36 months, the period of 12 months ending with the date of the disposal and each of the preceding periods of 12 months throughout which the company has been the beneficial owner of the accommodation (or interest or right).
- (3) The reference in subsection (1)(b) to the commercial letting of furnished holiday accommodation is to be read in accordance with Chapter 6 of Part 4 of CTA 2009, but—
- (a) as if sections 266, 268 and 268A were omitted, and
 - (b) as if, in section 267(1), the reference to an accounting period were a reference to a relevant period as defined by subsection (2) above.
- (4) For the purposes of section 13(5)(ca) activities carried on by a company are “economically significant activities” if they are activities which consist of the provision by the company of goods or services to others on a commercial basis and involve—
- (a) the use of staff in numbers, and with competence and authority,
 - (b) the use of premises and equipment, and
 - (c) the addition of economic value, by the company, to those to whom the goods or services are provided,
- commensurate with the size and nature of those activities.
- (5) In subsection (4) “staff” means employees, agents or contractors of the company.”

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (5) The amendments made by this section have effect in relation to disposals made on or after 6 April 2012.
- (6) But, in the case of a disposal made on or after that date but before 6 April 2013, a person to whom a part of a chargeable gain or allowable loss would (but for the amendments made by this section) have accrued on the disposal may make an election in writing for section 13 of TCGA 1992 to apply in relation to the disposal without those amendments.
- (7) An election under subsection (6) in respect of a disposal must be made—
 - (a) in the case of a person within the charge to capital gains tax, within 4 years from the end of the tax year in which the disposal was made, and
 - (b) in the case of a person within the charge to corporation tax, within 4 years from the end of the accounting period in which the disposal was made.

63 Heritage maintenance settlements

- (1) In section 169D of TCGA 1992 (gifts to settlor-interested settlements etc: exceptions to sections 169B and 169C), in subsection (1), after “elected” insert “, or could have elected,”.
- (2) The amendment made by this section has effect for the tax year 2012-13 and subsequent tax years.

64 EMI options and entrepreneurs' relief etc

Schedule 24 makes provision for capital gains tax purposes in connection with shares acquired under options which are qualifying options under the EMI code.

65 Charge on certain high value disposals by companies etc

Schedule 25 contains provision for a new capital gains tax charge on gains accruing to companies etc on certain high value disposals.

66 Currency used in tax calculations: chargeable gains and losses

- (1) Chapter 4 of Part 2 of CTA 2010 (currency) is amended as follows.
- (2) In section 5 (basic rule: sterling to be used), after subsection (2) insert—
 - “(3) See section 9C for provision about the application of subsection (1) so far as it relates to calculating chargeable gains.”
- (3) After section 9B insert—

“9C Chargeable gains and losses of companies

- (1) This section applies if—
 - (a) a company disposes of an asset which is a ship, an aircraft, shares or an interest in shares, and
 - (b) at any time beginning with the company's acquisition of the asset (or, if earlier, the time allowable expenditure was first incurred in respect

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- of the asset) and ending with the disposal, the company's relevant currency is not sterling.
- (2) A company's relevant currency at any time is its functional currency at that time, subject to subsection (3).
- (3) If, at any time—
- (a) a company is a UK resident investment company, and
 - (b) the company has a designated currency (see sections 9A and 9B) which is different from its functional currency,
- the company's relevant currency at that time is that designated currency.
- (4) If the relevant currency of the company at the time of the disposal is not sterling, the chargeable gain or loss accruing to the company on the disposal must be calculated as follows—
- Step 1* Calculate the chargeable gain or loss in the relevant currency of the company at the time of the disposal.
- Step 2* Translate the amount of the chargeable gain or loss into sterling by reference to the spot rate of exchange on the day of the disposal.
- (5) In any case, subsections (6) to (10) apply for the purposes of calculating the chargeable gain or loss.
- (6) Where any allowable expenditure is incurred in a currency which is not the company's relevant currency at the time it is incurred, that expenditure is to be translated into that relevant currency by reference to the spot rate of exchange for the day on which it is incurred.
- (7) Where, at any time after any allowable expenditure is incurred but before the asset is disposed of, there is a change in the company's relevant currency, that expenditure is to be translated (or, if it has previously been translated under this section, further translated) into the relevant currency of the company immediately following the change, by reference to the spot rate of exchange for the day of the change.
- (8) Any amount of consideration for the disposal which is given in a currency other than the company's relevant currency is to be translated into that relevant currency by reference to the spot rate of exchange on the day of disposal.
- (9) For the purposes of subsections (6) and (7)—
- (a) any translation of expenditure under subsection (6) is to be done before any translation of the expenditure under subsection (7), and
 - (b) if subsection (7) applies as a result of more than one change in the company's relevant currency, it is to be applied in relation to each change in the order the changes were made (with the earliest first).
- (10) Where, by virtue of any enactment, the company was at any time treated for the purposes of corporation tax on chargeable gains as acquiring the asset—
- (a) for a consideration of such amount as would secure that neither a gain nor a loss would accrue to the person disposing of the asset, or
 - (b) for a consideration equal to the market value of the asset,
- for the purposes of this section that allowable expenditure is treated as incurred by the company at that time.

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (11) For the purposes of this section, a reference to a ship or aircraft includes a reference to the benefit of a contract—
- (a) to which section 67 of CAA 2001 applies, and
 - (b) which relates to plant or machinery which is a ship or aircraft.
- (12) In this section—
- “allowable expenditure” means expenditure which, immediately before the disposal, was attributable to the asset under section 38(1) (a) to (c) of TCGA 1992;
- “interest in shares” has the same meaning as in Schedule 7AC to TCGA 1992 (see paragraph 29 of that Schedule);
- “shares” includes stock.”
- (4) The amendments made by this section come into force in accordance with provision made by the Treasury by order.

Commencement Information

- II** S. 66 in force at 1.9.2013 for the purposes of the amendments made by that section, with effect in relation to disposals after that date by S.I. 2013/1815, art. 2

Capital allowances

67 Allowances for energy-saving plant and machinery: Northern Ireland

- (1) Section 45AA of CAA 2001 (section 45A exclusion: payments under Energy Act 2008 schemes) is amended as follows.
- (2) In subsection (1)—
- (a) in paragraph (a), after “(feed-in tariffs)” insert “, or under a corresponding scheme having effect in Northern Ireland, ”, and
 - (b) in paragraph (b), after “of that Act” insert “ or section 113 of the Energy Act 2011 ”.
- (3) In subsection (5), for “subsection (6)” substitute “ subsections (5A) and (6) ”.
- (4) After that subsection insert—
- “(5A) Except as provided by subsection (6), in the case of expenditure incurred on plant or machinery used or for use in Northern Ireland, the relevant date is—
- (a) for corporation tax purposes, 1 April 2013, and
 - (b) for income tax purposes, 6 April 2013.”
- (5) In the heading, for “**payments under Energy Act 2008 schemes**” substitute “ **feed-in tariffs and renewable heat incentives** ”.

68 Cars with low carbon dioxide emissions

- (1) In section 45D of CAA 2001 (first year qualifying expenditure on cars with low carbon dioxide emissions)—
- (a) in subsection (1)(a), for “2013” substitute “ 2015 ”, and

Status: Point in time view as at 31/10/2013.

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2013, PART 1. (See end of Document for details)*

- (b) in subsection (4), for “110” substitute “ 95 ”.
- (2) In section 46 of that Act (general exclusions), in subsection (5) omit “section 45D,”.
- (3) In section 104AA of that Act (special rate expenditure: meaning of “main rate car”), in subsection (4) for “160” substitute “ 130 ”.
- (4) Accordingly, in section 77 of FA 2008 omit—
 - (a) subsection (2), and
 - (b) subsection (3).
- (5) The amendments made by subsections (1)(b), (2) and (4)(b) have effect in relation to expenditure incurred on or after 1 April 2013.
- (6) The amendment made by subsection (3) has effect in relation to expenditure incurred on or after the relevant date.
- (7) But in relation to expenditure incurred on the hiring of a car—
 - (a) for a period of hire which begins before the relevant date, and
 - (b) under a contract entered into before that date,
section 49(1A) of ITTOIA 2005 and section 57(1A) of CTA 2009 apply on or after the relevant date as if the amendment made by subsection (3) did not have effect.
- (8) “The relevant date” means—
 - (a) in the case of income tax, 6 April 2013, and
 - (b) in the case of corporation tax, 1 April 2013.

69 Gas refuelling stations: extension of time limit for capital allowance

In section 45E(1)(a) of CAA 2001 (time limit for incurring of expenditure qualifying for first-year allowance), for “2013” substitute “ 2015 ”.

70 First-year allowance to be available for ships and railway assets

- (1) In section 46(2) of CAA 2001 (general exclusions from first-year allowance), omit—
 - (a) general exclusion 3 (ships), and
 - (b) general exclusion 4 (railway assets),
and the italicised headings preceding them.
- (2) The amendments made by this section have effect for expenditure incurred on or after 1 April 2013.

71 Restrictions on buying capital allowances

Schedule 26 contains provision amending Chapter 16A of Part 2 of CAA 2001 (restrictions on allowance buying).

72 Hire cars for disabled persons

- (1) In section 268D of CAA 2001 (hire cars for disabled persons), in subsection (2), after paragraph (a) insert—

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- “(aa) personal independence payment under the Welfare Reform Act 2012, or the corresponding provision having effect in Northern Ireland, because of entitlement to the mobility component,
- (ab) armed forces independence payment under a scheme established under section 1 of the Armed Forces (Pensions and Compensation) Act 2004.”.

(2) The amendment made by this section has effect in relation to expenditure incurred on or after 1 April 2013.

73 Contribution allowances: plant and machinery

(1) Section 538 of CAA 2001 (contribution allowances: plant and machinery) is amended as follows.

(2) In subsection (1), omit the “and” at the end of paragraph (a) and after that paragraph insert—

- “(aa) C's contribution is to expenditure on the provision of plant or machinery, and”.

(3) In subsection (2)—

- (a) in paragraph (a), for “asset provided by means of C's contribution” substitute “plant or machinery”;
- (b) in paragraph (b), for “asset” substitute “plant or machinery”, and
- (c) in paragraph (c)—
 - (i) for “asset” substitute “plant or machinery”, and
 - (ii) after “times” insert “plant or machinery”.

(4) The amendments made by this section have effect in relation to expenditure pooled, and to claims made, on or after 29 May 2013 (“the commencement date”).

(5) In relation to such expenditure and claims, when determining for the purposes of section 536(3)(a) of CAA 2001 whether an allowance can be made under Chapter 2 of Part 11 of that Act, the amendments made by this section are to be treated as always having had effect.

(6) Nothing in this section applies to a claim by a person for a contribution allowance under Part 2 of CAA 2001 in respect of a contribution made before the commencement date.

(7) Subsection (8) applies if—

- (a) expenditure which a person has been regarded as having incurred (despite section 532(1) of CAA 2001) by virtue of section 536(1) of that Act has been pooled by virtue of section 53 of that Act—
 - (i) on or after 1 January 2013 but before the commencement date, or
 - (ii) before 1 January 2013 in circumstances where no claim was made in respect of the expenditure before that date, and
- (b) had the amendments made by this section had effect at the time the expenditure was incurred, that person would not have been regarded as having incurred that expenditure (“the relevant expenditure”).

(8) Part 2 of CAA 2001 has effect as if an event had occurred as a result of which the person is required to bring into account as a disposal receipt under that Part, for

Status: Point in time view as at 31/10/2013.

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2013, PART 1. (See end of Document for details)*

the chargeable period in which the commencement date falls, a disposal value of an amount equal to E-A.

- (9) For the purposes of subsection (8)—
E is the amount of the relevant expenditure, and
A is the total amount of writing-down allowances made in respect of the relevant expenditure.
- (10) For the purpose of calculating A, the total amount of writing-down allowances made in respect of expenditure on an item of plant or machinery is to be determined as if that item were the only item of plant or machinery in relation to which Chapter 5 of Part 2 of CAA 2001 had effect.
- (11) The event mentioned in subsection (8) is not to be regarded as a disposal event for the purposes of section 60(3) of CAA 2001.

Miscellaneous

74 Community investment tax relief

Schedule 27 makes provision about community investment tax relief.

75 Lease premium relief

Schedule 28 makes provision in relation to relief for lease premiums.

76 Manufactured payments: stock lending arrangements

- (1) Section 596 of ITA 2007 (deemed manufactured payments: stock lending arrangements) is amended in accordance with subsections (2) and (3).
- (2) For subsection (1) substitute—
“(1) This section applies if conditions A to C are met.
(1A) Condition A is that there is a stock lending arrangement in respect of securities.
(1B) Condition B is that a dividend or interest on the securities is paid, as a result of the arrangement, to a person other than the person who is the lender under the arrangement.
(1C) Condition C is that—
(a) no provision is made for securing that the lender receives payments representative of the dividend or interest, or
(b) provision is made for securing that the lender receives—
(i) payments representative of the dividend or interest, and
(ii) another benefit in respect of the dividend or interest (including the release of the whole or part of any liability to pay an amount).”
- (3) In subsection (2), for paragraph (a) substitute—
“(a) were required, under the arrangement—

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

- (i) in a case falling within paragraph (a) of subsection (1C), to pay the lender an amount representative of the dividend or interest, or
 - (ii) in a case falling within paragraph (b) of that subsection, to pay the lender an amount representative of the dividend or interest but deducting from that amount any payment mentioned in sub-paragraph (i) of that paragraph on which tax has been, or is to be, charged, and”.
- (4) Section 812 of CTA 2010 (deemed manufactured payments: stock lending arrangements) is amended in accordance with subsections (5) to (7).
- (5) For subsection (1) substitute—
 - “(1) This section applies if conditions A to C are met.
 - (1A) Condition A is that there is a stock lending arrangement in respect of securities.
 - (1B) Condition B is that a dividend or interest on the securities is paid, as a result of the arrangement, to a person other than the person who is the lender under the arrangement.
 - (1C) Condition C is that—
 - (a) no provision is made for securing that the lender receives payments representative of the dividend or interest, or
 - (b) provision is made for securing that the lender receives—
 - (i) payments representative of the dividend or interest, and
 - (ii) another benefit in respect of the dividend or interest (including the release of the whole or part of any liability to pay an amount).”
- (6) In subsection (2), for paragraph (a) substitute—
 - “(a) were required, under the arrangement—
 - (i) in a case falling within paragraph (a) of subsection (1C), to pay the lender an amount representative of the dividend or interest, or
 - (ii) in a case falling within paragraph (b) of that subsection, to pay the lender an amount representative of the dividend or interest but deducting from that amount any payment mentioned in sub-paragraph (i) of that paragraph on which tax has been, or is to be, charged, and”.
- (7) After subsection (6) insert—
 - “(7) This section has effect regardless of section 358 of CTA 2009 (exclusion of credits on release of connected companies debts) or any other provision of Part 5 of that Act (loan relationships) which prevents a credit from being brought into account.”
- (8) The amendments made by this section have effect in relation to cases in which a dividend or interest is paid, or is treated as paid, on or after 5 December 2012.

Status: Point in time view as at 31/10/2013.

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2013, PART 1. (See end of Document for details)*

77 **Manufactured payments: general**

Schedule 29 contains provision for, and in connection with, the application of the Tax Acts to manufactured payment relationships and payments representative of dividends and interest.

78 **Relationship between rules prohibiting and allowing deductions**

(1) In section 31 of ITTOIA 2005 (trade profits: relationship between rules prohibiting and allowing deductions)—

(a) after subsection (1) insert—

“(1A) But, if the relevant permissive rule would allow a deduction in calculating the profits of a trade in respect of an amount which arises directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements, that rule—

- (a) does not have priority under subsection (1)(a), and
- (b) is subject to any relevant prohibitive rule in this Part (and to the provisions mentioned in subsection (1)(b)).”, and”

(b) after subsection (3) insert—

“(4) In this section “relevant tax avoidance arrangements” means arrangements—

- (a) to which the person carrying on the trade is a party, and
- (b) the main purpose, or one of the main purposes, of which is the obtaining of a tax advantage (within the meaning of section 1139 of CTA 2010).

“Arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).”

(2) In section 274 of ITTOIA 2005 (property businesses: relationship between rules prohibiting and allowing deductions)—

(a) after subsection (1) insert—

“(1A) But, if the relevant permissive rule would allow a deduction in calculating the profits of a property business in respect of an amount which arises directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements, that rule—

- (a) does not have priority under subsection (1)(a), and
- (b) is subject to any relevant prohibitive rule in this Part (and to the provisions mentioned in subsection (1)(b)).”, and”

(b) after subsection (3) insert—

“(3A) In this section “relevant tax avoidance arrangements” means arrangements—

- (a) to which the person carrying on the property business is a party, and
- (b) the main purpose, or one of the main purposes, of which is the obtaining of a tax advantage (within the meaning of section 1139 of CTA 2010).

Status: Point in time view as at 31/10/2013.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, PART 1. (See end of Document for details)

“Arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).”

- (3) In section 51 of CTA 2009 (trade profits: relationship between rules prohibiting and allowing deductions)—

- (a) after subsection (1) insert—

“(1A) But, if the relevant permissive rule would allow a deduction in calculating the profits of a trade in respect of an amount which arises directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements, that rule—

- (a) does not have priority under subsection (1)(a), and
(b) is subject to any relevant prohibitive rule (and to the provisions mentioned in subsection (1)(b)).”, and

- (b) after subsection (3) insert—

“(4) In this section “relevant tax avoidance arrangements” means arrangements—

- (a) to which the company carrying on the trade is a party, and
(b) the main purpose, or one of the main purposes, of which is the obtaining of a tax advantage (within the meaning of section 1139 of CTA 2010).

“Arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).”

- (4) In section 214 of CTA 2009 (property businesses: relationship between rules prohibiting and allowing deductions)—

- (a) after subsection (1) insert—

“(1A) But, if the relevant permissive rule would allow a deduction in calculating the profits of a property business in respect of an amount which arises directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements, that rule—

- (a) does not have priority under subsection (1)(a), and
(b) is subject to any relevant prohibitive rule (and to the provisions mentioned in subsection (1)(b)).”, and

- (b) after subsection (3) insert—

“(3A) In this section “relevant tax avoidance arrangements” means arrangements—

- (a) to which the company carrying on the property business is a party, and
(b) the main purpose, or one of the main purposes, of which is the obtaining of a tax advantage (within the meaning of section 1139 of CTA 2010).

“Arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).”

Status: Point in time view as at 31/10/2013.

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2013, PART 1. (See end of Document for details)*

- (5) The amendments made by this section have effect in relation to deductions in respect of amounts which arise directly or indirectly in consequence of, or otherwise in connection with—
- (a) arrangements which are entered into on or after 21 December 2012, or
 - (b) any transaction forming part of arrangements which is entered into on or after that date.
- (6) But those amendments do not have effect where the arrangements are, or any such transaction is, entered into pursuant to an unconditional obligation in a contract made before that date.
- (7) “An unconditional obligation” means an obligation which may not be varied or extinguished by the exercise of a right (whether under the contract or otherwise).

79 Close companies

Schedule 30 (which makes provision about close companies) has effect.

Status:

Point in time view as at 31/10/2013.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2013, PART 1.