
*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2013, PART 3. (See end of Document for details)*

SCHEDULES

SCHEDULE 10 **U.K.**

TRANSFER OF ASSETS ABROAD

PART 3 **U.K.**

AMENDMENTS RELATING TO THE CHARGES UNDER SECTIONS 720 AND 727

Main provision

- 10 (1) Section 721 (individuals with power to enjoy income as a result of a relevant transaction) is amended as follows.
- (2) In subsection (3) after “the income” insert “ of the person abroad ”.
- (3) Before subsection (4) insert—
- “(3B) The amount of the income treated as arising under subsection (1) is equal to the amount of the income of the person abroad (subject to sections 724 and 725).
- (3C) Subsection (1) does not apply if—
- (a) the individual is liable for income tax charged on the income of the person abroad by virtue of a charge not contained in this Chapter, and
- (b) all that income tax has been paid.”
- (4) In subsection (4) after “the income” insert “ of the person abroad ”.
- (5) Omit subsection (5)(a).
- 11 (1) Section 724 (special rules where benefit provided out of income of person abroad) is amended as follows.
- (2) In subsection (2) after “on” insert “ an amount equal to ”.
- (3) In subsection (3)—
- (a) for “on” substitute “ by reference to ”, and
- (b) after “previous tax year” insert “ under this Chapter ”.
- 12 (1) Section 725 (reduction in amount charged where controlled foreign company involved) is amended as follows.
- (2) In subsection (1), as substituted by paragraph 22 of Schedule 20 to FA 2012, for paragraph (b) and the “ and ” before it substitute—
- “(b) an amount of income is treated as arising to an individual under section 721 for a tax year, and

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- (c) the income mentioned in section 721(2) is or includes a sum forming part of the CFC's chargeable profits for that accounting period.”

(3) After subsection (2) insert—

“(2A) In a case in which section 724 applies, the reference to S in the formula in subsection (2) is to be read as a reference to X% of S.

(2B) “X%” is determined as follows—

$$100\% \times \frac{A}{I}$$

where—

A is the amount on which the individual is liable as determined under section 724(2), and

I is the amount of the income mentioned in section 721(2).”

(4) In relation to cases in which the amendments made by paragraph 22 of Schedule 20 to FA 2012 are to be ignored in accordance with paragraph 50(9) of that Schedule, the amendment made by sub-paragraph (5) below has effect instead of the amendment made by sub-paragraph (2) above.

(5) In subsection (1) for paragraph (c) and the “and” before it substitute—

“(c) an amount of income is treated as arising to an individual under section 721 for a tax year, and

(d) the income mentioned in section 721(2) is or includes a sum forming part of the controlled foreign company's chargeable profits for that accounting period.”

13 In section 726 (non-UK domiciled individuals to whom remittance basis applies) in subsection (2) for “the extent” substitute “ the corresponding extent ”.

14 (1) Section 728 (individuals receiving capital sums as a result of a relevant transaction) is amended as follows.

(2) After subsection (1) insert—

“(1A) The amount of the income treated as arising under subsection (1) is equal to the amount of the income of the person abroad (subject to subsection (2)).”

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

(a) in subsection (1) of that section—

(i) the reference to section 721 were a reference to this section, and

(ii) the reference to section 721(2) were a reference to subsection (1)(a) of this section, and

(b) subsections (2A) and (2B) of that section were omitted.”

(4) After subsection (2) insert—

“(2A) Subsection (1) does not apply if—

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- (a) the individual is liable for income tax charged on the income of the person abroad by virtue of a charge not contained in this Chapter, and
 - (b) all that income tax has been paid.”
- (5) Omit subsection (3)(a).
- 15 In section 730 (non-UK domiciled individuals to whom remittance basis applies) in subsection (2) for “the extent” substitute “ the corresponding extent ”.
- 16 (1) Section 743 (no duplication of charges) is amended as follows.
 - (2) After subsection (2) insert—
 - “(2A) Subsection (2B) applies if—
 - (a) in the case of an individual, an amount of income is taken into account in charging income tax under section 720 or 727, and
 - (b) the individual subsequently receives that income.
 - (2B) The income received is treated as not being the individual's income for income tax purposes.”
 - (3) In subsection (3) for “subsections (1) and (2)” substitute “ this section ”.
 - (4) Omit subsection (4).
- 17 (1) Section 744 (meaning of taking income into account in charging income tax for section 743) is amended as follows.
 - (2) In subsection (1) for “743(1) and (2)” substitute “ 743 ”.
 - (3) In subsection (2)—
 - (a) in paragraph (a) omit “or value of the benefit”, and
 - (b) in paragraph (b) for “income charged” substitute “ the income mentioned in section 721(2) ”.
 - (4) In subsection (3) for “that income” substitute “ the income mentioned in section 728(1)(a) ”.
- 18 (1) Section 745 (rates of tax applicable to income charged under sections 720 and 727 etc) is amended as follows.
 - (2) In subsection (1) for “so far as it” substitute “ if (and to the corresponding extent that) the income mentioned in section 721(2) or 728(1)(a) ”.
 - (3) For subsections (3) and (4) substitute—
 - “(3) Subsection (4) applies to income treated as arising to an individual under section 721 or 728 so far as subsection (1) does not apply to it.
 - (4) The charge to income tax under section 720 or 727 operates by treating the income as if it were income within section 19(2) (meaning of “dividend income”) if the income mentioned in section 721(2) or 728(1)(a) would be dividend income were it the income of the individual.”
- 19 In section 746 (deductions and reliefs where individual charged under section 720 or 727) for subsection (2) substitute—

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“(2) For the purpose of determining the deductions and reliefs allowed to the individual, the individual is to be treated as if the individual had actually received the amount by reference to which the income treated as arising to the individual under section 721 or 728 is determined.”

Commencement and transitional provision

- 20 (1) The amendments made by this Part of this Schedule have effect for the tax year 2013-14 and subsequent tax years.
- (2) They have effect in relation to relevant transfers occurring before 6 April 2013 as well as relevant transfers occurring on or after that date.
- 21 (1) Sections 721(3C) and 728(2A) of ITA 2007 (as inserted by paragraphs 10(3) and 14(4) above) have effect only if the income of the person abroad arises to that person on or after 6 April 2013.
- (2) The amendments made by paragraphs 10(5) and 14(5) above have no effect in relation to income arising to a person abroad before 6 April 2013.

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