SCHEDULES

SCHEDULE 27

Section 74

COMMUNITY INVESTMENT TAX RELIEF

Income tax: carry forward of relief

1 Part 7 of ITA 2007 (community investment tax relief) is amended as follows.

2 In section 335 (form and amount of CITR) in subsection (3) for "this purpose" substitute " the purposes of this section and section 335A ".

3 After section 335 insert—

"**335A Carry forward of CITR**

(1) This section applies if—

(a) the investor is entitled to a tax reduction for a relevant tax year under section 335 in respect of the investment, but

(b) the amount of the tax reduction is not fully deducted at Step 6 for that relevant tax year.

(2) The amount ("the excess amount") not deducted is treated as follows.

(3) For each subsequent relevant tax year for which the investor—

(a) is entitled to a tax reduction under section 335 in respect of the investment, and

(b) makes a claim under this subsection,

the investor is also entitled to a tax reduction under this subsection which is given effect at Step 6.

(4) The amount of the tax reduction under subsection (3) for any relevant tax year is the excess amount so far as it has not been deducted at Step 6 for any earlier relevant tax year by virtue of that subsection.

(5) In this section "Step 6" means Step 6 of the calculation in section 23."

4 In section 357 (attribution of CITR) after subsection (4) insert—

"(4A) In the case of CITR under section 335A, in subsection (4)(a) the reference to the year is to be read as a reference to the year mentioned in section 335A(1)(a)."

5 (1) Section 361 (disposal of securities or shares during 5 year period) is amended as follows.

(2) For subsection (3) substitute—

"(3) Subsections (3A) to (3H) apply if—

(a) the disposal is a qualifying disposal, and

(b) the investor has made a claim under section 335 in respect of the former investment for a tax year ("tax year X").

(3A) Subsection (3B) applies if the total of the following CITR does not exceed A—

(a) any CITR attributable to the former investment in respect of tax year X given under section 335, and

(b) any CITR attributable to the former investment in respect of later tax years given under section 335A where tax year X is the tax year mentioned in section 335A(1)(a).

(3B) All CITR falling within subsection (3A)(a) or (b) must be withdrawn.

(3C) If the total of the CITR falling within subsection (3A)(a) or (b) exceeds A, that total must be reduced by A.

(3D) For the purposes of subsection (3C) CITR given in a later tax year must be reduced before CITR given in an earlier tax year.

(3E) For the purposes of subsections (3A) and (3C) "A" is an amount equal to 5% of the amount or value of the consideration (if any) which the investor receives for the former investment.

(3F) If—

(a) the total of the CITR falling within subsection (3A)(a) or (b)("B") is less than

(b) the amount ("C") which is equal to 5% of the invested amount in respect of the former investment for tax year X,

"A" is to be reduced by multiplying it by the fraction—

$$\frac{B}{C}$$

(3G) If the amount of CITR attributable to the former investment in respect of a tax year has been reduced before the CITR is obtained, the amount referred to in subsection (3F) as B is to be treated for the purposes of that subsection as the amount it would have been without the reduction.

(3H) Subsection (3G) does not apply to a reduction by virtue of section 358 (attribution: bonus shares)."

(3) Omit subsections (5) to (7).

6 The amendments made by paragraphs 1 to 5 above have effect in relation to investments made on or after 6 April 2013.

Corporation tax: carry forward of relief

7 Part 7 of CTA 2010 (community investment tax relief) is amended as follows.

8 (1) Section 220 (form and amount of CITR) is amended as follows.

(2) For subsection (3) substitute—

"(3) The amount of that reduction for the relevant accounting period is 5% of the invested amount in respect of the investment for the period."

(3) In subsection (4) for "this purpose" substitute " the purposes of this section and section 220A ".

9 After section 220 insert—

"**220A Carry forward of CITR**

(1) This section applies if—

(a) the investor is entitled to a reduction in its liability for corporation tax for a relevant accounting period under section 220 in respect of the investment, but

(b) the amount of the reduction is not fully deducted at Step 2 for that relevant accounting period.

(2) The amount ("the excess amount") not deducted is treated as follows.

(3) For each subsequent relevant accounting period for which the investor—

(a) is entitled to a reduction in its liability for corporation tax under section 220 in respect of the investment, and

(b) makes a claim under this subsection,

the investor is also entitled to a reduction in its liability for corporation tax under this subsection.

(4) The amount of the reduction under subsection (3) for any relevant accounting period is the excess amount so far as it has not been deducted at Step 2 for any earlier relevant accounting period by virtue of that subsection.

(5) In this section "Step 2" means the second step in paragraph 8(1) of Schedule 18 to FA 1998 (calculation of tax payable)."

10 In section 240 (attribution of CITR) after subsection (4) insert—

"(4A) In the case of CITR under section 220A, in subsection (4)(a) the reference to the period is to be read as a reference to the period mentioned in section 220A(1)(a)."

11 (1) Section 244 (disposal of securities or shares during 5 year period) is amended as follows.

(2) For subsection (3) substitute—

"(3) Subsections (3A) to (3H) apply if—

(a) the disposal is a qualifying disposal, and

(b) the investor has made a claim under section 220 in respect of the former investment for an accounting period ("period X").

(3A) Subsection (3B) applies if the total of the following CITR does not exceed A—

(a) any CITR attributable to the former investment in respect of period X given under section 220, and

(b) any CITR attributable to the former investment in respect of later accounting periods given under section 220A where period X is the accounting period mentioned in section 220A(1)(a).

(3B) All CITR falling within subsection (3A)(a) or (b) must be withdrawn.

(3C) If the total of the CITR falling within subsection (3A)(a) or (b) exceeds A, that total must be reduced by A.

(3D) For the purposes of subsection (3C) CITR given in a later accounting period must be reduced before CITR given in an earlier accounting period.

(3E) For the purposes of subsections (3A) and (3C) "A" is an amount equal to 5% of the amount or value of the consideration (if any) which the investor receives for the former investment.

(3F) If—

(a) the total of the CITR falling within subsection (3A)(a) or (b)("B") is less than

(b) the amount ("C") which is equal to 5% of the invested amount in respect of the former investment for period X,

"A" is to be reduced by multiplying it by the fraction—

$$\frac{B}{C}$$

(3G) If the amount of CITR attributable to the former investment in respect of an accounting period has been reduced before the CITR is obtained, the amount referred to in subsection (3F) as B is to be treated for the purposes of that subsection as the amount it would have been without the reduction.

(3H) Subsection (3G) does not apply to a reduction by virtue of section 241 (attribution: bonus shares)."

(3) Omit subsections (5) to (7).

12 The amendments made by paragraphs 7 to 11 above have effect in relation to investments made in accounting periods beginning on or after 1 April 2013.

Corporation tax: limit on State aid

13 (1) In Part 7 of CTA 2010 (community investment tax relief) after section 220A (as inserted by paragraph 9 above) insert—

"**220B Limit on State aid**

(1) The reductions that may be made in the amount of the investor's liability for corporation tax under section 220 or 220A for an accounting period ("the current accounting period") are limited as follows.

(2) The sum of the following amounts must not exceed [euro]200,000—

(a) so far as it represents aid granted to the investor, the total amount of reductions made in the amount of the investor's liability for corporation tax under section 220 or 220A—

(i) for the current accounting period, or

(ii) any earlier accounting period which ends during the relevant 3-year period, and

(b) the total of any de minimis aid granted to the investor during the relevant 3-year period which does not fall within paragraph (a).

(3) In subsection (2) "the relevant 3-year period" means the period of 3 years ending at the end of the current accounting period.

(4) Subsection (2) is to be read as if it were contained in Article 2 of Commission Regulation (EC) No. 1998/2006 (de minimis aid)."

(2) The amendment made by this paragraph has effect for the purpose of limiting CITR in respect of investments made on or after 1 April 2013.

(3) CITR in respect of investments made before that date is to be ignored for the purposes of section 220B(2) of CTA 2010.