

Status: Point in time view as at 17/07/2014.

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

SCHEDULES

SCHEDULE 3

Section 16

LIMIT ON INCOME TAX RELIEFS

The limit

- 1 In Chapter 3 of Part 2 of ITA 2007 (calculation of income tax liability) after section 24 insert—

“24A Limit on Step 2 deductions

- (1) If the taxpayer is an individual, there is a limit on certain deductions which may be made for the tax year at Step 2.
- (2) The limit is determined as follows.
- (3) Amount A must not exceed amount B.
- (4) Amount A is—
 - (a) the deductions for the tax year at Step 2 for the reliefs listed in subsection (6) taken together, less
 - (b) so much of those deductions as fall within subsection (7).
- (5) Amount B is—
 - (a) £50,000, or
 - (b) if more, 25% of the taxpayer's adjusted total income for the tax year (see subsection (8)).
- (6) The reliefs are—
 - (a) relief under section 64 (trade loss relief against general income);
 - (b) relief under section 72 (early trade losses relief);
 - (c) relief under section 96 (post-cessation trade relief);
 - (d) relief under section 120 (property loss relief against general income);
 - (e) relief under section 125 (post-cessation property relief);
 - (f) relief under section 128 (employment loss relief against general income);
 - (g) relief under Chapter 6 of Part 4 (share loss relief);
 - (h) relief under Chapter 1 of Part 8 (interest payments);
 - (i) relief under section 555 of ITEPA 2003 (deduction for liabilities relating to former employment);
 - (j) relief under section 446 of ITTOIA 2005 (strips of government securities: relief for losses);
 - (k) relief under section 454(4) of ITTOIA 2005 (listed securities held since 26 March 2003: relief for losses: persons other than trustees).

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- (7) The deductions falling within this subsection are—
- (a) deductions for amounts of relief so far as attributable to allowances under Part 3A of CAA 2001 (business premises renovation allowances);
 - (b) deductions for amounts of relief under a provision mentioned in subsection (6)(a) to (e) so far as made from profits of the trade or business to which the relief in question relates;
 - (c) deductions for amounts of relief under the provision mentioned in subsection (6)(a) or (b) so far as attributable to a deduction allowed under section 205 or 220 of ITTOIA 2005 (deduction for overlap profit in final tax year or on change of accounting date);
 - (d) deductions for amounts of relief under the provision mentioned in subsection (6)(g)—
 - (i) where the shares in question fall within section 131(2)(a) (qualifying shares to which EIS relief is attributable), or
 - (ii) where SEIS relief is attributable to the shares in question as determined in accordance with Part 5A (seed enterprise investment scheme).
- (8) The taxpayer's “adjusted total income” for the tax year is calculated as follows.

Step 1 Take the amount of the taxpayer's total income for the tax year.

Step 2 Add back the amounts of any deductions allowed under Part 12 of ITEPA 2003 (payroll giving) in calculating the taxpayer's income which is charged to tax for the tax year.

Step 3 If the taxpayer is given relief in accordance with section 192 of FA 2004 (pension schemes: relief at source) in respect of any contribution paid in the tax year under a pension scheme, deduct the gross amount of the contribution. The “gross” amount of a contribution is the amount of the contribution before deduction of tax under section 192(1) of FA 2004.

Step 4 If the taxpayer is entitled to a deduction for relief under section 193(4) or 194(1) of FA 2004 (pension schemes: excess relief under net payment arrangements or relief on making a claim) for the tax year, deduct the amount of the excess or contribution (as the case may be). The result is the taxpayer's adjusted total income for the tax year.”

Consequential amendments

- 2 (1) ITA 2007 is amended as follows.
- (2) In section 23 (calculation of income tax liability) at step 2 for “section 25” substitute “ sections 24A and 25 ”.
 - (3) In the following provisions (which explain how certain reliefs work) for “section 25(4) and (5)” substitute “ sections 24A and 25(4) and (5) ”
 - (a) section 65(1),
 - (b) section 73,
 - (c) section 121(1),
 - (d) section 129(1), and

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(e) section 133(1).

(4) In section 148 (share loss relief: disposal of shares forming part of mixed holding) in subsection (3)(b) before sub-paragraph (i) insert—

“(ai) shares to which SEIS relief is attributable (as determined in accordance with Part 5A),”.

Commencement and transitional provision

3 The amendments made by paragraphs 1 and 2 above have effect for the tax year 2013-14 and subsequent tax years.

4 (1) Sub-paragraph (2) applies to a claim which relates to the tax year 2013-14 or a subsequent tax year by virtue of paragraph 2 of Schedule 1B to TMA 1970 where the earlier year is a tax year before the tax year 2013-14.

(2) The amount of the claim is to be determined as if the amendments made by paragraphs 1 and 2 above also have effect for tax years before the tax year 2013-14.

(3) For this purpose, section 24A(6) of ITA 2007 (as inserted by paragraph 1 above) is treated as having effect for tax years before the tax year 2013-14 as if—

- (a) in paragraphs (a), (b), (f) and (g) the references to relief were limited to relief in respect of a loss made in the tax year 2013-14 or a subsequent tax year, and
- (b) all the other paragraphs were omitted.

5 In section 24A(6)(d) of ITA 2007 (as inserted by paragraph 1 above) the reference to relief does not include relief in respect of a loss made in the tax year 2012-13.

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