



Finance Act 2013

2013 CHAPTER 29

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 5

OTHER PROVISIONS

Miscellaneous

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).

Status: Point in time view as at 17/07/2014.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, Section 78. (See end of Document for details)

“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).

“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).”

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, Section 78. (See end of Document for details)

- (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).”
- (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).

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, Section 78.