Finance Act 2014

2014 CHAPTER 26

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 3

CORPORATION TAX: GENERAL

26 Release of debts: stabilisation powers under Banking Act 2009

(1) Section 322 of CTA 2009 (release of debts: cases where credits not required to be brought into account) is amended as follows.

(2) In subsection (2), for "condition A, B or C" substitute " any of conditions A to D ".

(3) After subsection (5) insert—

"(5A) Condition D is that the liability is released in consequence of the exercise of a stabilisation power under Part 1 of the Banking Act 2009."

(4) The amendments made by this section have effect in relation to releases of liabilities on or after 26 November 2013.

27 Holdings treated as rights under loan relationships

(1) CTA 2009 is amended as follows.

(2) In section 465(3) (list of provisions under which certain distributions are not excluded from Part 5) before paragraph (a) insert—

"(za) section 490(2) (holdings in OEICs, unit trusts and offshore funds treated as rights under creditor relationships),".

(3) In section 490 (holding in an OEIC, unit trust or offshore fund treated as rights under a creditor relationship) for subsection (2) substitute—

"(2) The Corporation Tax Acts have effect for the accounting period in accordance with subsection (3) as if—

(a) the relevant holding were rights under a creditor relationship of the company, and

(b) any distribution in respect of the relevant holding were not a distribution (and accordingly is within Part 5)."

(4) Omit section 490(4) and (5) (which are superseded by the new section 490(2)(b)).

(5) For section 492 (rules about tax calculations in avoidance cases where holding comes within section 490) substitute—

"**492 Holding coming within section 490: calculation to undo avoidance**

(1) Subsection (2) applies if—

(a) section 490 applies for an accounting period of a company to a relevant holding held by the company,

(b) a relevant fund enters into any arrangements, or arrangements are entered into that in whole or part relate to a relevant fund, and

(c) the main purpose or one of the main purposes of the arrangements is to obtain a tax advantage for a person.

(2) The company must make adjustments to counteract any tax advantage connected in any way with the relevant holding that would (ignoring this section) be obtained by the company, or any other person, directly or indirectly in consequence of the arrangements or their being entered into.

(3) The arrangements may be ones entered into at a time when the company does not hold the relevant holding; and any person referred to in subsection (1)(c) need not be identified when the arrangements are entered into.

(4) The adjustments required by subsection (2) are such as are just and reasonable.

(5) In this section—

"arrangements" includes any scheme, arrangement or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions, and

"relevant fund" means—

(a) the open-ended investment company, unit trust scheme or offshore fund in which the relevant holding is held, or

(b) an open-ended investment company, unit trust scheme or offshore fund in which a relevant fund has a holding."

(6) In section 495 (meaning of "qualifying holdings")—

(a) in subsection (1)—

(i) for "would itself fail" substitute " itself fails ", and

(ii) omit ", even on the assumption in subsection (2)", and

(b) omit subsection (2).

(7) The amendments made by this section have effect in relation to accounting periods beginning on or after 1 April 2014.

(8) For the purposes of subsection (7), an accounting period beginning before, and ending on or after, 1 April 2014 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.

(9) An apportionment for the purposes of subsection (8) 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.

28 De-grouping charges (loan relationships etc)

(1) CTA 2009 is amended as follows.

(2) In each of sections 345 and 346 (loan relationships: transferee leaving group)—
- (a) in subsection (2), omit "If condition A or B is met,", and
- (b) omit subsections (3) to (5).

(3) In each of sections 631 and 632 (derivative contracts: transferee leaving group)—
- (a) in subsection (2), omit "If condition A or B is met,", and
- (b) omit subsections (3) and (4).

(4) An amendment made by this section has effect where the cessation of membership of the relevant group occurs on or after 1 April 2014.

29 Disguised distribution arrangements involving derivative contracts

(1) In Chapter 11 of Part 7 of CTA 2009 (derivative contracts: tax avoidance), after section 695 (but before the following italic heading) insert—

"**695A Disguised distribution arrangements involving derivative contracts**

(1) This section applies if—
- (a) a company ("A") is a party to arrangements involving one or more derivative contracts (each of which is referred to in this section as a "specified contract"),
- (b) another company ("B") is also a party to the arrangements (whether or not at the same time as A),
- (c) A and B are members of the same group,
- (d) the arrangements result in what is, in substance, a payment (directly or indirectly) from A to B of all or a significant part of the profits of the business of A or of a company which is a member of the same group as A or B (or both) ("the profit transfer"), and
- (e) the arrangements are not arrangements of a kind which companies carrying on the same kind of business as A would enter into in the ordinary course of that business.

(2) No debits in respect of a specified contract, which—
- (a) relate to the profit transfer, and
- (b) apart from this section, would be brought into account by A or B for the purposes of this Part,

are to be so brought into account.

(3) Where one or more debits in respect of a specified contract are not brought into account by virtue of subsection (2), credits arising from the same contract which—

(a) relate to the same profit transfer, and

(b) apart from this section, would be brought into account by A or B for the purposes of this Part,

are not to be so brought into account to the extent that the total of those credits does not exceed the total of those debits.

(4) Subsection (3) does not apply to any credit which arises directly or indirectly in consequence of, or otherwise in connection with, arrangements the main purpose of which, or one of the main purposes of which, is the securing of a tax advantage for any person.

(5) For the purposes of this section a company is a member of the same group as another company if it is (or has been) a member of the same group at a time when the arrangements mentioned in subsection (1) have effect.

(6) In this section—

"arrangements" includes any scheme, arrangement or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions;

"group" has the meaning given by section 357GD of CTA 2010;

"tax advantage" has the meaning given by section 1139 of CTA 2010."

(2) The amendment made by this section has effect in relation to accounting periods beginning on or after 5 December 2013.

This is subject to subsections (3) to (6).

(3) In the case of a company which has an accounting period beginning before 5 December 2013 and ending on or after that date ("the straddling period"), for the purposes of subsections (2) and (4) so much of the straddling period as falls before that date, and so much of that period as falls on or after that date, are treated as separate accounting periods.

(4) The amendment does not have effect in relation to debits, arising from a specified contract, which relate to the profit transfer and are or would be brought into account for an accounting period beginning on or after 5 December 2013 to the extent that the total of those debits does not exceed the amount (if any) by which—

(a) the total amount of credits arising from that contract which—

(i) relate to the profit transfer, and

(ii) are or would be brought into account for the purposes of Part 7 of CTA 2009 for any accounting period ending before 5 December 2013, exceeds

(b) the total amount of debits arising from that contract which relate to the profit transfer and are or would be brought into account as mentioned in paragraph (a)(ii).

(5) In the case of credits to which subsection (6) applies, section 695A of CTA 2009 has effect as if—

(a) subsection (2) of that section applied to credits in respect of a specified contract as it applies to debits in respect of a specified contract,

(b) subsection (3) of that section were omitted, and

(c) in subsection (4) the reference to subsection (3) were to subsection (2).

(6) This subsection applies to credits which, had A or B had an accounting period beginning with 5 December 2013 and ending with 22 January 2014, would have been brought into account for that period by A or (as the case may be) B for the purposes of Part 7 of that Act (ignoring section 695A of CTA 2009).

30 Avoidance schemes involving the transfer of corporate profits

(1) In Chapter 1 of Part 20 of CTA 2009 (general calculation rules: restriction on deductions), after section 1305 insert—

"**1305A Avoidance schemes involving the transfer of corporate profits**

(1) This section applies if—

(a) two companies ("A" and "B") are party to any arrangements (whether or not at the same time),

(b) A and B are members of the same group,

(c) the arrangements result in what is, in substance, a payment (directly or indirectly) from A to B of all or a significant part of the profits of the business of A or of a company which is a member of the same group as A or B (or both) ("the profit transfer"), and

(d) the main purpose or one of the main purposes of the arrangements is to secure a tax advantage for any person involving the profit transfer (whether by circumventing section 695A (disguised distribution arrangements: derivative contracts) or otherwise).

(2) A's profits are to be calculated for corporation tax purposes as if the profit transfer had not occurred.

(3) Accordingly—

(a) if (apart from this section) an amount relating to the profit transfer would be brought into account by A as a deduction in that calculation, no deduction is allowed in respect of that amount, and

(b) A's profits are to be increased by so much of the amount of the profit transfer as is not an amount to which paragraph (a) applies (whether or not the profits transferred would be A's profits apart from the arrangements).

(4) For the purposes of this section a company is a member of the same group as another company if it is (or has been) a member of the same group at a time when the arrangements mentioned in subsection (1) have effect.

(5) Where in relation to arrangements involving one or more derivative contracts the requirements of section 695A(1)(a) to (e) are met, nothing in this section applies in relation to any debit in respect of any of those contracts.

(6) In this section—

"arrangements" includes any scheme, arrangement or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions;

"group" has the meaning given by section 357GD of CTA 2010;

"tax advantage" has the meaning given by section 1139 of CTA 2010."

(2) The amendment made by this section has effect in relation to payments made on or after 19 March 2014.

31 R&D tax credits for small or medium-sized enterprises

(1) In section 1058 of CTA 2009 (amount of tax credit), in subsection (1)(a), for "11%" substitute " 14.5% ".

(2) The amendment made by this section has effect in relation to expenditure incurred on or after 1 April 2014.

32 Film tax relief

(1) Chapter 3 of Part 15 of CTA 2009 (film tax relief) is amended as follows.

(2) In section 1198 (UK expenditure), in subsection (1), for "25%" substitute " 10% ".

(3) In section 1202 (surrendering of loss and amount of film tax credit), for subsections (2) and (3) substitute—

"(2) If the company surrenders the whole or part of that loss, the amount of the film tax credit to which it is entitled for the accounting period is the sum of—

(a) 25% of so much of the loss surrendered as does not exceed the unused 25% band, and

(b) 20% of the remainder of that loss (if any).

(3) "The unused 25% band" means £20 million reduced (but not below zero) by the total amount previously surrendered under subsection (1) (if any)."

(4) The amendments made by subsections (2) and (3) have effect in relation to films the principal photography of which is not completed before such day as the Treasury may specify by order.

(5) A different day may be specified in relation to the amendments made by each subsection.

(6) A specified day may be before the day on which the order is made, but may not be before 1 April 2014.

(7) The Treasury may by order amend sections 1198(1) and 1202(2) and (3) of CTA 2009 (as amended and inserted by this section) in connection with an application for State aid approval.

(8) In this section "State aid approval" means approval that the provision made by this section, to the extent that it constitutes the granting of aid to which any of the provisions of Article 107 or 108 of the Treaty on the Functioning of the European Union applies, is, or would be, compatible with the internal market, within the meaning of Article 107 of that Treaty.

(9) An order under subsection (7) may—

(a) make incidental, supplemental, consequential, transitional or saving provision;

(b) contain provision having effect in relation to films mentioned in subsection (4).

Commencement Information

I1 S. 32(2)(3) in force at 1.4.2014 for the purposes of the amendments made by those sub-sections by S.I. 2014/2880, **art. 2**

33 Television tax relief: activities to be treated as separate trade

(1) Part 15A of CTA 2009 (television production) is amended as follows.

(2) In section 1216A (overview), in subsection (3)(a), for "its" substitute " each qualifying ".

(3) In section 1216B (activities of television production company treated as a separate trade)—

(a) in subsection (1), after the second "a" insert " qualifying ";

(b) in subsection (2), for "television" substitute " qualifying relevant ";

(c) at the end insert—

"(5) In this section "qualifying relevant programme" means a relevant programme in relation to which the conditions for television tax relief are met (see section 1216C(2))."

34 Video games development

(1) Part 15B of CTA 2009 (video games development) is amended as follows.

(2) In section 1217A (overview), in subsection (3)(a), for "its" substitute " each qualifying ".

(3) In section 1217AE—

(a) in the heading, for "UK" substitute " EEA ";

(b) for subsection (1) substitute—

"(1) In this Part, "EEA expenditure", in relation to a video game, means expenditure on goods or services that are provided from within the European Economic Area.";

(c) in subsection (2), for "UK expenditure and non-UK expenditure" substitute " EEA expenditure and non-EEA expenditure ".

(4) In section 1217B (activities of video games development company treated as a separate trade)—

(a) in subsection (1), after the second "a" insert " qualifying ";

(b) in subsection (2), after the second "other" insert " qualifying ";

(c) at the end insert—

"(5) In this section "qualifying video game" means a video game in relation to which the conditions for video games tax relief are met (see section 1217C(2))."

(5) In section 1217CF (additional deduction for qualifying expenditure)—

(a) after subsection (3) insert—

"(3A) But if the core expenditure on the video game includes sub-contractor payments which (in total) exceed £1 million, the excess is not "qualifying expenditure".";

(b) in subsection (4)(a), for "subsection (3)" substitute " subsections (3) and (3A) ";

(c) at the end insert—

"(5) In this section, "sub-contractor payment" means a payment made by the company to another person in respect of work on design, production or testing of the video game that is contracted out by the company to the person."

(6) In the following provisions, for "UK expenditure" substitute " EEA expenditure "

(a) section 1217C(2)(c);
(b) the heading above section 1217CE;
(c) the heading of section 1217CE;
(d) section 1217CE(1);
(e) section 1217CG(1)(a) and (2)(a);
(f) the heading of section 1217EB;
(g) section 1217EB(1)(a) and (b) and (3).

(7) In Schedule 4 to CTA 2009 (index of defined expressions)—

(a) omit the entry for "UK expenditure (in Part 15B)";

(b) at the appropriate place insert—

"EEA expenditure (in Part 15B)	section 1217AE".

(8) The amendments made by this section have effect in relation to accounting periods beginning on or after the day specified in an order made by the Treasury under paragraph 3 of Schedule 17 to FA 2013 (and sub-paragraphs (3) and (4) of that paragraph apply accordingly).

35 Community amateur sports clubs

(1) Part 6 of CTA 2010 (charitable donations relief: payments to charity) is amended in accordance with subsections (2) to (7).

(2) In section 189 (relief for charitable donations), in subsection (5), after "subject to" insert " Chapter 2A of this Part, ".

(3) In section 192 (condition as to repayment), in subsection (6), omit the "and" at the end of paragraph (a) and after that paragraph insert—

"(aa) the repayment is not non-qualifying expenditure for the purposes of Chapter 9 of Part 13 (see section 661(5)), and".

(4) In section 200 (company wholly owned by a charity), after subsection (4) insert—

"(4A) In the case of a charity which is a registered club, ordinary share capital of a company is treated as owned by a charity if the charity beneficially owns that share capital."

(5) In section 202 (meaning of "charity"), before paragraph (b) insert—

"(aa) a registered club,".

(6) After that section insert—

"**202A "Registered club"**

In this Chapter "registered club" has the meaning given by section 658(6) (clubs registered as community amateur sports clubs)."

(7) After Chapter 2 insert—

"CHAPTER 2A

PAYMENTS TO COMMUNITY AMATEUR SPORTS CLUBS: ANTI-ABUSE

202B **Restriction on relief for payments to community amateur sports clubs**

(1) Subsection (2) applies if—

(a) one or more qualifying payments are made by a company to a registered club ("the club") in an accounting period ("the current period"),

(b) the company is wholly owned, or controlled, by the club or by a number of charities which include the club, for all or part of that period, and

(c) inflated member-related expenditure is incurred by the company in that period.

(2) For the purposes of section 189 (relief for qualifying charitable donations), the total amount of those qualifying payments is treated as reduced (but not below nil) by the total amount of that inflated member-related expenditure.

(3) Subsection (4) applies if—

(a) the total amount of that expenditure exceeds the total amount of those payments, and

(b) the company made one or more qualifying payments to the club in an earlier accounting period ending not more than 6 years before the end of the current period.

(4) For the purposes of section 189, the total amount of the qualifying payments made in the earlier accounting period is treated as reduced (but not below nil) by the amount of the excess.

(5) If subsection (3)(b) applies in relation to more than one earlier accounting period—

(a) subsection (4) applies to treat amounts paid in later accounting periods as reduced in priority to amounts paid in earlier ones (until the excess is exhausted or all amounts have been reduced to nil), and

(b) in applying subsection (4) in relation to an accounting period, the reference to the excess is to be read as a reference to so much of it as exceeds the total amount of qualifying payments which, under that subsection, have previously been reduced to nil by the excess.

(6) For the purposes of subsections (3) and (4), a reference to the total amount of qualifying payments made in an earlier accounting period is to the total amount of those payments after—

(a) any reduction under subsection (2), and

(b) any previous reduction under subsection (4).

(7) Such adjustments must be made (whether by way of the making of assessments or otherwise) as may be required in consequence of subsections (4) to (6).

(8) Section 200 (company wholly owned by a charity) applies for the purposes of this section.

(9) For the purposes of this section, the club controls the company if it has the power to secure—

(a) by means of the holding of shares or the possession of voting power in relation to the company or any other company, or

(b) as a result of any powers conferred by the articles of association or other document regulating the company or any other company,

that the affairs of the company are conducted in accordance with the club's wishes.

(10) For the purposes of this section two or more charities (including the club) control the company if, acting together, they have the power to secure, as mentioned in paragraph (a) or (b) of subsection (9), that the affairs of the company are conducted in accordance with the wishes of those charities.

(11) In this section—

"charity" has the same meaning as in Chapter 2,

"qualifying payment" means a qualifying payment for the purposes of Chapter 2, and

"registered club" has the same meaning as in Chapter 2,

and any reference to a member of the club includes a reference to a person connected with a member of the club.

202C **"Inflated member-related expenditure"**

(1) This section applies for the purposes of section 202B.

(2) "Inflated member-related expenditure" means—

(a) employment expenditure incurred in respect of the employment of a member of the club, by the company, where that employment is otherwise than on an arm's length basis, or

(b) expenditure incurred on a supply of goods and services to the club by—

(i) a member of the club, or

(ii) a member-controlled body,

otherwise than on an arm's length basis.

(3) But if the features of an employment or supply which cause it to be otherwise than on an arm's length basis, when taken together, are more advantageous to the company than if the employment or supply had been on an arm's length basis, any expenditure incurred in respect of the employment or on the supply is not inflated member-related expenditure.

(4) A company is "member-controlled" if a member of the club has (or two or more members acting together have) the power to secure—

(a) by means of the holding of shares or the possession of voting power in relation to that or any other body corporate, or

(b) as a result of any powers conferred by the articles of association or other document regulating that or any other body corporate,

that the affairs of the company are conducted in accordance with the wishes of the member (or, as the case may be, members).

(5) A partnership is "member-controlled" if a member of the club has (or two or more members acting together have) the right to a share of more than half the assets, or of more than half the income, of the partnership.

(6) In this section any reference to a member of the club includes a reference to a person connected with a member of the club.

(7) For the purposes of subsection (2)(a), the Treasury may by regulations specify—

(a) descriptions of expenditure which is to be treated as employment expenditure incurred in respect of the employment of a member of a club;

(b) descriptions of expenditure which is not to be so treated.

(8) Section 1171(4) (orders and regulations subject to negative resolution procedure) does not apply to any regulations made under subsection (7) if a draft of the statutory instrument containing them has been laid before, and approved by a resolution of, the House of Commons."

(8) Chapter 9 of Part 13 of that Act (other special types of company: community amateur sports clubs) is amended in accordance with subsections (9) to (12).

(9) After section 661D (but before the italic heading) insert—

"**661E Tax treatment of gifts of money from companies**

If a registered club receives a gift of a sum of money from a company which is not a charity, the gift is treated as an amount in respect of which the registered club is chargeable to corporation tax, under the charge to corporation tax on income."

(10) In section 664 (exemption for interest and gift aid income)—

(a) in subsection (1), omit the "and" after paragraph (a) and after paragraph (b) insert ", and

(c) its company gift income for that period,",

(b) in that subsection, for "and gift aid income" substitute " , gift aid income and company gift income ", and

(c) in subsection (3), after "this section—" insert—

""company gift income", in relation to a club, means gifts of money made to the club by companies which are not charities,".

(11) In section 665A (claims in relation to interest and gift aid income), in subsection (1)(b) for "and gift aid" substitute " , gift aid and company gift ".

(12) Accordingly—

(a) in the italic heading before section 661D, omit "*qualifying for gift aid relief*",

(b) in the heading for section 664, for "**and gift aid**" substitute " **, gift aid and company gift** "

(c) in the heading for section 665A, for "**and gift aid**" substitute " **, gift aid and company gift** ".

(13) The amendments made by this section have effect in relation to payments made on or after 1 April 2014.

(14) But the amendments made by subsections (1) to (7) are to be ignored for the purposes of section 199 of CTA 2010 (payment attributed to earlier accounting period) if the claim mentioned in subsection (1)(c) of that section is in respect of an accounting period ending before 1 April 2014.

(15) The earlier accounting periods mentioned in section 202B(3) of CTA 2010 (see subsection (7) of this section) do not include any accounting period ending before 1 April 2014.

36 Tax relief for theatrical production

Schedule 4 contains provision about relief in respect of theatrical productions.

37 Changes in company ownership

(1) Part 14 of CTA 2010 (change in company ownership) is amended as follows.

(2) In section 688 (meaning of "significant increase in the amount of a company's capital"), in subsection (2), for paragraph (b) and the "or" before it substitute ", and

(b) is at least 125% of amount A."

(3) In section 723 (changes in indirect ownership), in subsection (1), after "section 724" insert " or 724A ".

(4) After section 724 insert—

"**724A Disregard of change in parent company**

(1) Where a new company ("N") acquires all the issued share capital of another company ("C"), the resulting ownership change is disregarded for the purposes of Chapters 2 to 6 if, immediately after that acquisition ("the acquisition"), N—

(a) possesses all of the voting power in C,

(b) is beneficially entitled to 100% of any profits available for distribution to equity holders of C,

(c) would be beneficially entitled to 100% of any assets of C available for distribution to its equity holders in the event of a winding up of C or in any other circumstances, and

(d) meets the continuity requirements.

(2) "The resulting ownership change" means the change in the ownership of C by reason of Condition A in section 719 being met in relation to the acquisition.

(3) A company is "new" if, before the acquisition, it has neither—

(a) issued any shares other than subscriber shares, nor

(b) begun to carry on any trade or business.

(4) N meets the continuity requirements if, and only if—

(a) the consideration for the acquisition consists only of the issue of shares in N to the shareholders of C,

(b) immediately after the acquisition, each person who immediately before the acquisition was a shareholder of C is a shareholder of N,

(c) immediately after the acquisition, the shares in N are of the same classes as were the shares in C immediately before the acquisition,

(d) immediately after the acquisition, the number of shares of any particular class in N bears to all the shares in N the same proportion, or as nearly as may be the same proportion, as the number of shares of that class in C bore to all the shares in C immediately before the acquisition, and

(e) immediately after the acquisition, the proportion of shares of any particular class in N held by any particular shareholder is the same, or as nearly as may be the same, as the proportion of shares of that class in C held by that shareholder immediately before the acquisition.

(5) For the purposes of this section, N is treated as acquiring all the issued share capital of C for consideration consisting only of the issue of shares in N to the shareholders of C if, as a result of a scheme of reconstruction involving the cancellation of all shares in C and the issue of shares in N—

(a) N holds all the issued share capital of C by reason of that share capital being issued to N by C, and

(b) only shares in N are issued to the persons who were shareholders of C immediately before the shares in C were cancelled.

(6) In a case within subsection (5), subsection (4) applies as if any reference to immediately before the acquisition were a reference to immediately before the shares in C were cancelled.

(7) "Scheme of reconstruction" means a scheme carried out in pursuance of a compromise or arrangement—

(a) to which Part 26 of the Companies Act 2006 (arrangements and reconstructions) applies, or

(b) under any corresponding provision of the law of a country or territory outside the United Kingdom.

(8) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsection (1)(b) and (c) as it applies for the purposes of section 151(4).”

(5) In section 726 (interpretation of Chapter), after “acquisition” insert “ and shareholder ”.

(6) The amendments made by this section have effect in relation to any change of ownership which occurs on or after 1 April 2014.

38 Transfer of deductions: research and development allowances

(1) In section 730B(1) of CTA 2010 (interpretation of transfer of deductions provisions), in paragraph (a) of the definition of “deductible amount” after “trade,” insert “ other than an amount treated as such an expense by section 450(a) of CAA 2001 (research and development allowances treated as expenses in calculating profits of a trade), ”.

(2) The amendment made by this section has effect in relation to a qualifying change if the relevant day is on or after 1 April 2014.

39 Tax treatment of financing costs and income

(1) Chapter 10 of Part 7 of TIOPA 2010 (tax treatment of financing costs and income: interpretation) is amended as follows.

(2) In section 345 (meaning of “UK group company” and “relevant group company”), for subsection (7) substitute—

“(7) Chapter 6 of Part 5 of CTA 2010 (equity holders and profits or assets available for distribution) and Chapter 3 of Part 24 of that Act (subsidiaries) apply for the purposes of subsection (6), subject to subsections (8) and (9).

(8) Sections 169 to 182 of CTA 2010 do not apply.

(9) In applying the remaining provisions of those Chapters for the purposes of subsection (6), they are to be read with all modifications necessary to ensure that—

(a) they apply to a company or other body corporate which does not have share capital, and to holders of corresponding ordinary holdings in such a company or body, in a way which corresponds to the way they apply to companies with ordinary share capital and holders of ordinary shares in such companies,

(b) they apply in relation to ownership through an entity (other than a body corporate), or any trust or other arrangement, in a way which corresponds to the way they apply to ownership through a company or other body corporate, and

(c) for the purposes of achieving paragraphs (a) and (b), profits or assets are attributed to holders of corresponding ordinary holdings in entities, trusts or other arrangements in a manner which corresponds to the way profits or assets are attributed to holders of ordinary shares in a company.

(10) In this section “corresponding ordinary holding” in an entity, trust or other arrangement means a holding or interest which provides the holder with

economic rights corresponding to those provided by a holding of ordinary shares in a company."

(3) In section 353A (effect of Part 7 on parties to capital market arrangements), in subsection (4), before paragraph (a) insert—

"(za) the conditions that must be met for an election to be made;".

(4) The amendment made by subsection (2) has effect in relation to periods of account of the worldwide group starting on or after 5 December 2013.

40 Determination of beneficial entitlement for purposes of group relief

(1) CTA 2010 is amended as follows.

(2) In section 169 (interpretation of provisions to determine proportion of beneficial entitlement)—

(a) in subsection (2), for the definition of "arrangements" substitute—

""arrangements"—

(a) means arrangements of any kind (whether or not in writing), but

(b) does not include 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

(b) after that subsection insert—

"(3) 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."

(3) In section 188 (other definitions for Part 5), in subsection (1), in the definition of "company" for "section 156(2A)" substitute " sections 156(2A) and 169(3) ".

(4) The amendments made by this section have effect in relation to accounting periods ending on or after 1 January 2015.

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

Changes to legislation:
Finance Act 2014, CHAPTER 3 is up to date with all changes known to be in force on or before 19 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.