



Finance Act 2015

2015 CHAPTER 11

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 3

CORPORATION TAX: GENERAL

25 Loan relationships: repeal of certain provisions relating to late interest etc

- (1) Part 5 of CTA 2009 (loan relationships) is amended as follows.
- (2) Omit the following provisions—
 - (a) section 374 (connection between debtor and person standing in position of creditor),
 - (b) section 377 (party to loan relationship having major interest in other party),
 - (c) section 407 (postponement until redemption of debits for connected companies' deeply discounted securities), and
 - (d) section 408 (companies connected for section 407).
- (3) In section 372 (introduction to Chapter 8), in subsection (3)—
 - (a) omit paragraph (a),
 - (b) at the end of paragraph (b), insert “ and ”, and
 - (c) omit paragraph (c) (including the “and” at the end).
- (4) In section 373 (late interest treated as not accruing until paid in some cases), in subsection (1)(b), for “374, 375, 377” substitute “ 375 ”.
- (5) In section 406 (introduction to provisions dealing with deeply discounted securities)—
 - (a) omit subsection (1)(a), and
 - (b) in subsections (2), (3) and (4), for “407” substitute “ 409 ”.

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- (6) Subsections (2)(a) and (b), (3) and (4) have effect—
 - (a) in relation to debtor relationships entered into by a company on or after 3 December 2014, and
 - (b) in relation to debtor relationships entered into by a company before 3 December 2014, where the actual accrual period (within the meaning of Chapter 8 of Part 5 of CTA 2009) begins on or after 1 January 2016.
- (7) Subsections (2)(c) and (d) and (5) have effect—
 - (a) in relation to debtor relationships entered into by a company on or after 3 December 2014, and
 - (b) in relation to debtor relationships entered into by a company before 3 December 2014, where the relevant period (within the meaning of section 407 of CTA 2009) begins on or after 1 January 2016.
- (8) Subsections (6)(b) and (7)(b) are subject to subsections (9) to (14).
- (9) In the case of a company which has an accounting period beginning before 1 January 2016 and ending on or after that date (“the straddling period”), 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 for the purposes of subsections (6)(b) and (7)(b) as separate accounting periods.
- (10) If a debtor relationship entered into by a company before 3 December 2014 is modified on or after 3 December 2014 and before 1 January 2016, subsections (2)(a) and (b), (3) and (4) have effect in relation to that debtor relationship where the actual accrual period (within the meaning of Chapter 8 of Part 5 of CTA 2009) begins on or after the date on which the modification takes effect.
- (11) For the purposes of subsection (10) a debtor relationship of a company is modified if—
 - (a) there is a material change in the terms of the relationship, or
 - (b) there is a change in the person standing in the position of creditor.
- (12) If the terms of a deeply discounted security issued by a company before 3 December 2014 are modified on or after 3 December 2014 and before 1 January 2016, subsections (2)(c) and (d) and (5) have effect in relation to the debtor relationship represented by that security where the relevant period (within the meaning of section 407 of CTA 2009) begins on or after the day on which the modification takes effect.
- (13) For the purposes of subsection (12) the terms of a deeply discounted security are modified if—
 - (a) there is a material change in the terms of the security, or
 - (b) there is a change in the person standing in the position of creditor.
- (14) Where subsection (10) or (12) applies, an accounting period is to be taken for the purposes of that subsection to end immediately before the day on which the modification takes effect, and a new accounting period is to be taken for those purposes to begin with that day.

^{F1}26 Intangible fixed assets: goodwill etc acquired from a related party

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Textual Amendments

- F1** S. 26 omitted (with effect in accordance with s. 33(9)(10) of the commencing Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\), s. 33\(8\)](#)

27 Amount of relief for expenditure on research and development

- (1) CTA 2009 is amended as follows.
- (2) In Chapter 6A of Part 3 (trade profits: R&D expenditure credits), in section 104M (amount of R&D expenditure credit), in subsection (3), for “10%” substitute “ 11% ”.
- (3) In Chapter 2 of Part 13 (relief for SMEs: cost of R&D incurred by SME)—
 - (a) in section 1044 (additional deduction in calculating profits of trade), in subsection (8), for “125%” substitute “ 130% ”,
 - (b) in section 1045 (alternative treatment for pre-trading expenditure: deemed trading loss), in subsection (7), for “225%” substitute “ 230% ”, and
 - (c) in section 1055 (tax credit: meaning of “Chapter 2 surrenderable loss”), in subsection (2)(b), for “225%” substitute “ 230% ”.
- (4) In consequence of subsection (3), in Schedule 3 to FA 2012, omit paragraph 2(2) to (4).
- (5) The amendments made by this section have effect in relation to expenditure incurred on or after 1 April 2015.

28 Expenditure on research and development: consumable items

- (1) CTA 2009 is amended as follows.
- (2) In Part 13 (additional relief for expenditure on research and development), in section 1126 (software or consumable items: attributable expenditure), after subsection (6) insert—

“(7) This section is subject to sections 1126A and 1126B.”
- (3) After section 1126 insert—

“1126A Attributable expenditure: special rules

- (1) Expenditure on consumable items is not to be treated as attributable to relevant research and development if—
 - (a) the relevant research and development relates to an item that is produced in the course of the research and development,
 - (b) the consumable items form part of the item produced,
 - (c) the item produced is transferred by a relevant person for consideration in money or money's worth, and
 - (d) the transfer is made in the ordinary course of the relevant person's business.
- (2) Expenditure on consumable items is not to be treated as attributable to relevant research and development if—

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- (a) the relevant research and development relates to a process of producing an item,
 - (b) the consumable items form part of an item produced in the course of that research and development,
 - (c) the item produced is transferred by a relevant person for consideration in money or money's worth, and
 - (d) the transfer is made in the ordinary course of the relevant person's business.
- (3) If—
- (a) the item produced as described in subsection (1) or (2) may be divided, and
 - (b) only a proportion (“the appropriate proportion”) of that item is transferred by a relevant person as described in subsection (1)(c) and (d) or (2)(c) and (d),
- the appropriate proportion of the expenditure on the consumable items is not to be treated as attributable to the relevant research and development.
- (4) If—
- (a) a number of items are produced in the course of the relevant research and development described in subsection (2), and
 - (b) only a proportion (“the appropriate proportion”) of those items is transferred by a relevant person as described in subsection (2)(c) and (d),
- the appropriate proportion of the expenditure on the consumable items is not to be treated as attributable to the relevant research and development.
- (5) A reference in this section to producing an item includes a reference to preparing an item for transfer.
- (6) For the purposes of this section a consumable item forms part of an item produced if—
- (a) it is incorporated into the item produced, or
 - (b) it is turned into, or it and other materials are turned into, the item produced or a part of the item produced.
- (7) A reference in this section to the transfer of an item is a reference to—
- (a) the transfer of ownership of an item to another person (whether by sale or otherwise), or
 - (b) the transfer of possession of an item to another person (whether by letting on hire or otherwise),
- and a reference to the transfer of an item includes, where the item is incorporated into another item, the transfer of that other item.
- (8) For the purposes of this section the provision of information obtained in testing an item is not to be regarded as consideration for the transfer of that item.
- (9) For the purposes of this section a transfer of an item produced in the course of research and development is not to be regarded as a transfer in the ordinary course of business if the item being transferred is waste.
- (10) In this section—

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“item” includes any substance;

“relevant person”, in relation to relevant research and development, means—

- (a) the company that incurs the cost of the research and development, whether it is undertaken by itself or contracted out,
- (b) the company to which the research and development is contracted out, whether it is undertaken by itself or contracted out,
- (c) the person (other than a company) who contracts out the research and development to a company and incurs the cost of the research and development,
- (d) the person (other than a company) to whom the research and development is contracted out, or
- (e) a person who is connected to a company or person described in paragraph (a), (b), (c) or (d).

1126B Attributable expenditure: further provision

- (1) The Treasury may by regulations make provision for the purpose of identifying when expenditure on consumable items is attributable to relevant research and development, including provision modifying the effect of section 1126 or 1126A.
 - (2) Regulations under this section may include provision about—
 - (a) the circumstances in which expenditure on consumable items employed directly in relevant research and development is, or is not, to be treated as attributable to that relevant research and development;
 - (b) the circumstances in which consumable items are, or are not, to be treated as employed directly in relevant research and development.
 - (3) Regulations under this section may—
 - (a) make different provision for different purposes;
 - (b) make incidental, consequential, supplementary or transitional provision or savings.
 - (4) Regulations under this section may amend—
 - (a) section 1126;
 - (b) section 1126A;
 - (c) any other provision of this Act, if that is appropriate in consequence of provision made under paragraph (a) or (b).
 - (5) Regulations under this section may make provision that has effect in relation to expenditure incurred before the making of the regulations, provided that it does not increase any person's liability to tax.”
- (4) In each of the following, after “1126” insert “ to 1126B ”
- (a) section 104D(5);
 - (b) section 104E(5);
 - (c) section 104G(6);
 - (d) section 104H(7);

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- (e) section 104J(6);
- (f) section 104K(7);
- (g) section 1052(7);
- (h) section 1053(6);
- (i) section 1066(5);
- (j) section 1067(5);
- (k) section 1071(7);
- (l) section 1072(8);
- (m) section 1077(6);
- (n) section 1078(7);
- (o) section 1101(7);
- (p) section 1102(6).

- (5) In section 104Y(2), for “and 1126” substitute “ to 1126B ”.
- (6) In section 1310(4) (orders and regulations subject to affirmative procedure), after paragraph (za) insert—
 - “(zb) section 1126B (provision about when expenditure on consumable items is attributable to relevant research and development),”.
- (7) The amendments made by this section have effect in relation to expenditure incurred on or after 1 April 2015.

29 Film tax relief

- (1) Part 15 of CTA 2009 (film production) is amended as follows.
- (2) In section 1184 (definitions of terms including “limited-budget film”)—
 - (a) omit subsections (2) and (3), and
 - (b) in the heading for that section omit “and “limited-budget film””.
- (3) For section 1200(3) (film tax relief: amount of additional deduction: rate of enhancement) substitute—
 - “(3) The rate of enhancement is 100%.”
- (4) In section 1202 (surrendering of loss and amount of film tax credit)—
 - (a) in subsection (2) for “R is the payable credit rate (see subsection (3))” substitute “ R is 25% ”, and
 - (b) omit subsection (3).
- (5) Omit section 1215 (film tax relief on basis that film is limited-budget film).
- (6) In Schedule 4 (index of defined expressions) omit the entry for “limited-budget film”.
- (7) In consequence of subsection (4), in section 32 of FA 2014—
 - (a) omit subsection (3),
 - (b) in subsection (4) for “amendments made by subsections (2) and (3) have” substitute “ amendment made by subsection (2) has ”,
 - (c) omit subsection (5), and
 - (d) in subsection (7) for “sections 1198(1) and 1202(2) and (3)” substitute “ section 1198(1) ”.

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- (8) The amendments made by this section have effect in relation to films the principal photography of which is not completed before such day as the Treasury may specify by regulations.
- (9) The specified day may be before the day on which the regulations are made, but may not be before 1 April 2015.
- (10) Section 1171(4) of CTA 2010 (orders and regulations subject to negative resolution procedure) does not apply in relation to any regulations made under subsection (8).

Modifications etc. (not altering text)

- C1 [S. 29](#) having effect as specified (2.10.2015) by [The Finance Act 2015, Section 29 \(Film Tax Relief \(Specified Day\) Regulations 2015 \(S.I. 2015/1741\)](#), [reg. 2](#)

30 Reliefs for makers of children's television programmes

- (1) Part 15A of CTA 2009 (television production reliefs) is amended as follows.
- (2) In section 1216AB(2) (programmes that are not animation can be relevant programmes only if conditions C and D are met in addition to conditions A and B) for “not animation” substitute “neither animation nor a children's programme”.
- (3) In section 1216AB(3) (condition A: types of programme that can be relevant programmes)—
 - (a) omit the “or” after paragraph (b), and
 - (b) after paragraph (c) insert “, or
 - (d) a children's programme.”
- (4) In section 1216AC (types of programme: definitions) after subsection (2) insert—

“(2A) A programme is a children's programme if, when television production activities begin, it is reasonable to expect that the persons who will make up the programme's primary audience will be under the age of 15.”
- (5) In section 1216AD(1) (meaning of “excluded programme”) after “For the purposes of this Part” insert “, but subject to section 1216ADA, ”.
- (6) After section 1216AD insert—

“1216ADA Certain children's programmes not to be excluded programmes

- (1) A children's programme is not an excluded programme for the purposes of this Part if—
 - (a) the programme falls within—
 - (i) sub-head 3A set out in subsection (2), or
 - (ii) Head 4 set out in section 1216AD(5), and
 - (b) the prize total (see subsection (3)) does not exceed £1,000.
- (2) Sub-head 3A is any quiz show or game show.
- (3) “The prize total” for a programme is the total of—

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- (a) the amount of each relevant prize that is a money prize, and
 - (b) the amount spent on each other relevant prize by, or on behalf of, its provider,
- and here “relevant prize” means a prize offered in connection with participation in a quiz, game, competition or contest in, or promoted by, the programme.
- (4) The Treasury may by regulations amend subsection (1)(b) for the purpose of increasing the amount of the money limit for the time being specified in subsection (1)(b).”
- (7) The amendments made by this section have effect in relation to accounting periods beginning on or after 1 April 2015.
- (8) Subsections (9) and (10) apply where—
- (a) a company has an accounting period beginning before, and ending on or after, 1 April 2015 (“the straddling period”),
 - (b) in the part of the straddling period beginning with 1 April 2015 and ending with the end of the straddling period, the company carries on activities in relation to a television programme that—
 - (i) is within the definition of “children's programme” given by the new section 1216AC(2A), but
 - (ii) is not a relevant programme for the purposes of Part 15A of CTA 2009, and
 - (c) if that part of the straddling period were a separate accounting period, in that separate accounting period—
 - (i) the programme would be a relevant programme for the purposes of Part 15A of CTA 2009,
 - (ii) the company would for those purposes be the television production company in relation to the programme, and
 - (iii) the conditions for television tax relief (see section 1216C(2) of CTA 2009) would be met in relation to the programme.
- (9) For the purposes of calculating for corporation tax purposes the company's profits or losses for the straddling period of its activities in relation to the programme—
- (a) so much of the straddling period as falls before 1 April 2015, and
 - (b) so much of that period as falls on or after that date,
- are to be treated as separate accounting periods.
- (10) Any amounts brought into account for the purposes of calculating for corporation tax purposes the company's profits or losses for the straddling period of its activities in relation to the programme are to be apportioned to the two separate accounting periods on such basis as is just and reasonable.

31 Television tax relief

- (1) In section 1216CE(1) of CTA 2009 (television tax relief: UK expenditure condition) for “25%” substitute “ 10% ”.
- (2) The amendment made by subsection (1) has effect in relation to relevant programmes the principal photography of which is not completed before 1 April 2015.

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32 Restrictions applying to certain deductions made by banking companies

Schedule 2 contains provision restricting the amount of deductions which banking companies may make in respect of certain losses carried forward from previous accounting periods.

33 Tax avoidance involving carried-forward losses

Schedule 3 contains provision restricting the circumstances in which companies may make a deduction in respect of certain losses carried forward from previous accounting periods.

Status:

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Changes to legislation:

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