



# Finance Act 2015

## 2015 CHAPTER 11

### PART 1 **U.K.**

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER 4 **U.K.**

#### OTHER PROVISIONS

##### *Pensions*

#### 34 Pension flexibility: annuities etc **U.K.**

Schedule 4 contains provision about pension annuities, and other pension, paid in respect of deceased members of pension schemes.

##### *Flood and coastal defence*

#### 35 Relief for contributions to flood and coastal erosion risk management projects **U.K.**

Schedule 5 makes provision about relief for contributions to flood and coastal erosion risk management projects.

##### *Investment reliefs*

#### 36 Investment reliefs: excluded activities **U.K.**

Schedule 6 makes provision about excluded activities for the purposes of the following provisions of ITA 2007—

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- (a) Part 5 (enterprise investment scheme) and, by virtue of section 257DA(9) of that Act, Part 5A (seed enterprise investment scheme),
- (b) Part 5B (tax relief for social investments), and
- (c) Part 6 (venture capital trusts).

### *Capital gains tax*

#### **37 Disposals of UK residential property interests by non-residents etc** **U.K.**

Schedule 7 contains provision about capital gains tax on the disposal of UK residential property interests—

- (a) by a person who is not resident in the United Kingdom, or
- (b) by an individual, in the overseas part of a split tax year.

#### **38 Relevant high value disposals: gains and losses** **U.K.**

Schedule 8 contains provision about the calculation of relevant high value disposals within the meaning of section 2C of TCGA 1992.

#### **39 Private residence relief** **U.K.**

Schedule 9 contains amendments of TCGA 1992 in connection with private residence relief.

#### **40 Wasting assets** **U.K.**

- (1) In section 45 of TCGA 1992 (exemption for certain wasting assets), after subsection (3) insert—

“(3A) But subsection (3) does not apply in the case of a disposal in relation to which subsection (3B) disapplies subsection (1).

(3B) Subsection (1) does not apply to a disposal of, or of an interest in, an asset if—

- (a) at any time in the period of ownership of the person making the disposal, the asset is used for the purposes of a trade, profession or vocation carried on by another person,
- (b) as a result of that use, the asset becomes plant,
- (c) but for the asset therefore being regarded under section 44(1)(c) as having a predictable life of less than 50 years, the disposal would not be of, or of an interest in, a wasting asset, and
- (d) the disposal is not within subsection (3C).

(3C) A disposal of, or of an interest in, an asset is within this subsection if the asset is plant used for the purpose of leasing under a long funding lease and—

- (a) the disposal takes place after the commencement of the term of the lease but before the termination of the lease, or
- (b) the disposal is the deemed disposal of the asset under section 25A(3) (a) on the termination of the lease.

(3D) Section 25A(5) applies for the purposes of subsection (3C).”

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- (2) The amendment made by this section has effect—
- (a) for corporation tax purposes, in relation to disposals on or after 1 April 2015, and
  - (b) for capital gains tax purposes, in relation to disposals on or after 6 April 2015.

#### **41** **Entrepreneurs' relief: associated disposals** **U.K.**

- (1) Section 169K of TCGA 1992 (disposal associated with relevant material disposal) is amended as follows.

- (2) For subsections (1) and (2) substitute—

“(1) There is a disposal associated with a relevant material disposal if—

- (a) condition A1, A2 or A3 is met, and
- (b) conditions B and C are met.

(1A) Condition A1 is that an individual (“P”) makes a material disposal of business assets which consists of the disposal of the whole or part of P's interest in the assets of a partnership, and—

- (a) P's disposed of interest is at least a 5% interest in the partnership's assets, and
- (b) at the date of the disposal, no partnership purchase arrangements exist.

(1B) Condition A2 is that P makes a material disposal of business assets which consists of the disposal of shares in a company, all or some of which are ordinary shares, and at the date of the disposal—

- (a) the ordinary shares disposed of—
  - (i) constitute at least 5% of the company's ordinary share capital, and
  - (ii) carry at least 5% of the voting rights in the company, and
- (b) no share purchase arrangements exist.

(1C) But condition A2 is not met if the disposal of shares is a disposal by virtue of section 122, other than such a disposal treated as made in consideration of a capital distribution from a company which is made in the course of dissolving or winding up the company.

(1D) Condition A3 is that P makes a material disposal of business assets which consists of the disposal of securities of a company, and at the date of the disposal—

- (a) the securities disposed of constitute at least 5% of the value of the securities of the company, and
- (b) no share purchase arrangements exist.

(1E) For the purposes of conditions A2 and A3, in relation to the disposal of shares in or securities of a company (“company A”), “share purchase arrangements” means arrangements under which P or a person connected with P is entitled to acquire shares in or securities of—

- (a) company A, or
- (b) a company which is a member of a trading group of which company A is a member.

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- (2) For the purposes of subsection (1E)(b), a company is treated as a member of a trading group of which company A is a member if, at the date of the disposal mentioned in condition A2 or A3, arrangements exist which it is reasonable to assume will result in the company and company A becoming members of the same trading group.”
- (3) In subsection (3)—
- (a) for “the individual”, in the first place it occurs, substitute “ P ”, and
  - (b) for “the withdrawal of the individual” substitute “ P's withdrawal ”.
- (4) After subsection (3) insert—
- “(3A) The disposal mentioned in condition B is not treated as part of P's withdrawal from participation in the business carried on by a partnership if at the date of that disposal there exist any partnership purchase arrangements.
- (3B) The disposal mentioned in condition B is not treated as part of P's withdrawal from participation in the business carried on by a company (“company A”) if at the date of that disposal there exist any arrangements under which P or a person connected with P is entitled to acquire shares in or securities of—
- (a) company A, or
  - (b) a company which is a member of a trading group of which company A is a member.
- (3C) For the purposes of subsection (3B)(b), a company is treated as a member of a trading group of which company A is a member if, at the date of the disposal mentioned in condition B, arrangements exist which it is reasonable to assume will result in the company and company A becoming members of the same trading group.”
- (5) After subsection (5) insert—
- “(6) In this section, in relation to a partnership, “partnership purchase arrangements” means arrangements under which P or a person connected with P is entitled to acquire any interest in, or increase that person's interest in, the partnership (including a share of the profits or assets of the partnership or an interest in such a share).
- (7) In this section—
- “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);
- “securities” includes an interest in securities, and an “interest in securities” includes (in particular) an option to acquire securities;
- “shares” includes an interest in shares, and an “interest in shares” includes (in particular) an option to acquire shares.
- (8) For the purposes of this section, a person is treated as entitled to acquire anything which the person—
- (a) is entitled to acquire at a future date, or
  - (b) will at a future date be entitled to acquire.
- (9) For the purposes of this section the assets of—
- (a) a Scottish partnership, or

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(b) a partnership under the law of any other country or territory under which assets of a partnership are regarded as held by or on behalf of the partnership as such,

are to be treated as held by the members of the partnership in the proportions in which they are entitled to share in the profits of the partnership.

References in this section to an individual's interest in the partnership's assets are to be construed accordingly.”

(6) The amendments made by this section have effect in relation to disposals made on or after 18 March 2015.

## 42 **Entrepreneurs' relief: exclusion of goodwill in certain circumstances** **U.K.**

(1) Chapter 3 of Part 5 of TCGA 1992 (entrepreneurs' relief) is amended as follows.

(2) In section 169H (introduction), in subsection (3), for “section 169L” substitute “sections 169L and 169LA”.

(3) In section 169L (relevant business assets), in subsection (2), after “including” insert “, subject to section 169LA,”.

(4) After that section insert—

### **“169LA Relevant business assets: goodwill transferred to a related party etc**

(1) Subsection (4) applies if—

- (a) as part of a qualifying business disposal, a person (“P”) disposes of goodwill directly or indirectly to a close company (“C”),
- (b) at the time of the disposal, P is a related party in relation to C, and
- (c) P is not a retiring partner.

(2) P is a related party in relation to C for the purposes of this section if P is a related party in relation to C for the purposes of Part 8 of CTA 2009 (intangible fixed assets) (see Chapter 12 of that Part (related parties) and, in particular, section 835(5) of that Act).

(3) P is a retiring partner if the goodwill is goodwill in a business carried on, immediately before the disposal, by a partnership of which P is a member and at the time of the disposal—

- (a) P is not, and no arrangements exist under which P could become, a participator in C or in a company that has control of, or holds a major interest in, C (a “relevant participator”),
- (b) P is a related party in relation to C because P is an associate of one or more relevant participators, and
- (c) P is only an associate of each of those relevant participators because they are also members of the partnership.

(4) For the purposes of this Chapter, the goodwill is not one of the relevant business assets comprised in the qualifying business disposal.

(5) If a company—

- (a) is not resident in the United Kingdom, but

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(b) would be a close company if it were resident in the United Kingdom, the company is to be treated as being a close company for the purposes of this section (including for the purposes of determining whether a person is a related party in relation to the company for the purposes of this section).

(6) If a person—

(a) disposes of goodwill as part of a qualifying business disposal, and

(b) is party to relevant avoidance arrangements,

subsection (4) applies (if it would not otherwise do so).

(7) In subsection (6) “relevant avoidance arrangements” means arrangements the main purpose, or one of the main purposes, of which is to secure—

(a) that subsection (4) does not apply in relation to the goodwill, or

(b) that the person is not a related party (for whatever purposes) in relation to a company to which the disposal of goodwill is directly or indirectly made.

(8) In this section—

“arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);

“associate”, “control”, “major interest” and “participator” have the same meaning as in Chapter 12 of Part 8 of CTA 2009 (see, in particular, sections 836, 837 and 841 of that Act).”

(5) The amendments made by this section have effect in relation to qualifying business disposals made on or after 3 December 2014.

#### **43 Entrepreneurs' relief: trading company etc U.K.**

(1) Section 169S of TCGA 1992 (entrepreneurs' relief - interpretation) is amended as follows.

(2) After subsection (4) insert—

“(4A) In this Chapter “trading company” and “trading group” have the same meaning as in section 165 (see section 165A), except that, for the purposes of this Chapter—

(a) subsections (7) and (12) of section 165A are to be disregarded;

(b) in determining whether a company which is a member of a partnership is a trading company, activities carried on by the company as a member of that partnership are to be treated as not being trading activities (see section 165A(4)); and

(c) in determining whether a group of companies is a trading group in a case where any one or more companies in the group is a member of a partnership, activities carried on by such a company as a member of the partnership are to be treated as not being trading activities (see section 165A(9)).”

(3) In subsection (5), omit the entry relating to “trading company” and “trading group” and the “and” preceding that entry.

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(4) For the purposes of conditions B and D in section 169I of TCGA 1992 (material disposal of business assets), any reference to a company ceasing to be a trading company or ceasing to be a member of a trading group does not include a case where a company ceases to be a trading company or ceases to be a member of a trading group by virtue only of the coming into force of subsections (2) and (3).

(5) This section comes into force on 18 March 2015.

#### 44 **Deferred entrepreneurs' relief on invested gains** **U.K.**

(1) In Part 5 of TCGA 1992 (transfer of business assets) after Chapter 3 (entrepreneurs' relief) insert—

#### **“CHAPTER 4** **U.K.**

#### ENTREPRENEURS' RELIEF WHERE HELD-OVER GAINS BECOME CHARGEABLE

##### 169T **Overview of Chapter**

This Chapter makes provision about claiming entrepreneurs' relief in certain cases where, in relation to held-over gains that originally arose on a business disposal, there is a chargeable event for the purposes of Schedule 5B or 8B (relief for gains invested under the enterprise investment scheme or in social enterprises).

##### 169U **Eligibility conditions for deferred entrepreneurs' relief**

- (1) Section 169V applies if, ignoring the operation of section 169V(2)(b), each of the following conditions is met.
- (2) The first condition is that a chargeable gain (“the first eventual gain”) accrues as a result of the operation of—
  - paragraph 4 of Schedule 5B (enterprise investment scheme), or
  - paragraph 5 of Schedule 8B (investments in social enterprises).
- (3) If the first condition is met, the paragraph and Schedule mentioned in subsection (2) that apply in the case are referred to in this section, and section 169V, as “the relevant paragraph” and “the applicable Schedule”.
- (4) The second condition is—
  - (a) that the first eventual gain accrues in a case in which the original gain would, but for the operation of the applicable Schedule, have accrued on a relevant business disposal, or
  - (b) where the first eventual gain accrues in a case in which the original gain would, but for the operation of the applicable Schedule, have accrued as a result of the operation of either of the paragraphs mentioned in subsection (2), that the underlying disposal is a relevant business disposal.
- (5) The third condition is that a claim for entrepreneurs' relief in respect of the first eventual gain is made, on or before the first anniversary of the 31

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January following the tax year in which the first eventual gain accrues, by the individual who made the disposal mentioned in subsection (4)(a) or (b).

- (6) The fourth condition is that the first eventual gain is the first gain to accrue in the case as a result of the operation of the relevant paragraph.
- (7) In subsection (4) “the underlying disposal” means the disposal (not being a disposal within paragraph 3 of Schedule 5B or paragraph 6 of Schedule 8B) by virtue of which Schedule 5B or 8B has effect.
- (8) For the purposes of subsection (4), whether the disposal on which the original gain would have accrued is a relevant business disposal, or whether the underlying disposal is a relevant business disposal, is to be decided according to the law applicable to disposals made at the time the disposal was made.
- (9) In this section—
  - “the original gain”, in relation to a particular case, has the same meaning as in the applicable Schedule,
  - “relevant business asset” has the meaning given by section 169L, and
  - “relevant business disposal” means—
    - (a) a disposal—
      - (i) within section 169H(2)(a) or (c) (qualifying business disposals), and
      - (ii) consisting of the disposal of (or of interests in) shares in or securities of a company, or
    - (b) a disposal of relevant business assets which is comprised in a disposal—
      - (i) within section 169H(2)(a) or (c), and
      - (ii) not consisting of the disposal of (or of interests in) shares in or securities of a company.

### **169V Operation of deferred entrepreneurs' relief**

- (1) Where this section applies, the following rules have effect.
- (2) The gain mentioned in section 169U(2) (“the first eventual gain”)—
  - (a) is treated for ER purposes as the amount resulting from a calculation under section 169N(1) carried out—
    - (i) in respect of a qualifying business disposal made when the first eventual gain accrues, and
    - (ii) because of the claim mentioned in section 169U(5), and
  - (b) except for ER purposes, is not to be taken into account under this Act as a chargeable gain.
- (3) If the first eventual gain is a part only of the original gain in the case concerned, each part of the original gain that subsequently accrues as a chargeable gain as a result of the operation of the relevant paragraph—
  - (a) is treated for ER purposes as the amount resulting from a calculation under section 169N(1) carried out—
    - (i) in respect of a qualifying business disposal made when that chargeable gain so accrues, and



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- (ii) because of the claim mentioned in section 169U(5), and
  - (b) except for ER purposes, is not to be taken into account under this Act as a chargeable gain.
- (4) If the disposal mentioned in paragraph (a) or (b) of section 169U(4) is a disposal within section 169H(2)(c) (qualifying business disposal: disposal associated with a relevant material disposal)—
- (a) a disposal mentioned in subsection (2) or (3) of this section is treated for the purposes of section 169P(1) as a disposal associated with a relevant material disposal, but
  - (b) section 169P applies in relation to that disposal as if the disposal referred to in section 169P(4) were the disposal mentioned in section 169U(4)(a) or (b).
- (5) In this section “ER purposes” means the purposes of—
- (a) section 169N(2) to (4B), (7) and (8), and
  - (b) section 169P.”
- (2) The amendment made by subsection (1) has effect in relation to cases where the disposal mentioned in the new section 169U(4)(a) or (b) is made on or after 3 December 2014.

### *Capital allowances*

#### **45 Zero-emission goods vehicles** U.K.

- (1) CAA 2001 is amended as follows.
- (2) In section 45DA(1)(a) (period during which first-year qualifying expenditure may be incurred), for “5 years” substitute “8 years”.
- (3) Section 45DB (exclusions from allowances under section 45DA) is amended in accordance with subsections (4) to (7).
- (4) In subsection (7), omit “notified” (in both places).
- (5) In subsection (8), omit “to that extent”.
- (6) In subsection (11), omit the definition of “notified State aid”.
- (7) After that subsection insert—
- “(11A) Nothing in this section limits references to “State aid” to State aid which is required to be notified to and approved by the European Commission.”
- (8) The amendments made by subsections (3) to (7) have effect—
- (a) in relation to a relevant grant or relevant payment made at any time (whether before or on or after the specified day) towards expenditure incurred on or after that day, and
  - (b) in relation to a relevant grant or relevant payment made on or after the specified day towards expenditure incurred before that day.
- (9) “The specified day” means—
- (a) for income tax purposes, 6 April 2015, and

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(b) for corporation tax purposes, 1 April 2015.

**46 Plant and machinery allowances: anti-avoidance U.K.**

Schedule 10 contains provision about plant and machinery allowances.

*Oil and gas*

**47 Extension of ring fence expenditure supplement U.K.**

Schedule 11 contains provision enabling the ring fence expenditure supplement to be claimed for an additional 4 accounting periods (and as a result repeals provision for the extended ring fence expenditure supplement for onshore activities).

**48 Reduction in rate of supplementary charge U.K.**

- (1) In section 330 of CTA 2010 (supplementary charge in respect of ring fence trades), in subsection (1), for “32%” substitute “20%”.
- (2) The amendment made by subsection (1) has effect in relation to accounting periods beginning on or after 1 January 2015 (but see also subsection (3)).
- (3) Subsections (4) to (6) apply where a company has an accounting period beginning before 1 January 2015 and ending on or after that date (“the straddling period”).
- (4) For the purpose of calculating the amount of the supplementary charge on the company for the straddling period—
  - (a) so much of that period as falls before 1 January 2015, and so much of that period as falls on or after that date, are treated as separate accounting periods, and
  - (b) the company's adjusted ring fence profits for the straddling period are apportioned to the two separate accounting periods in proportion to the number of days in those periods.
- (5) Sections 330A and 330B of CTA 2010 do not apply in relation to the straddling period (but do apply in relation to the separate accounting period ending on 31 December 2014).
- (6) The amount of the supplementary charge on the company for the straddling period is the sum of the amounts of supplementary charge that would, in accordance with subsections (4) and (5), be chargeable on the company for those separate accounting periods.
- (7) In this section—
 

“adjusted ring fence profits” has the same meaning as in section 330 of CTA 2010;

“supplementary charge” means any sum chargeable under section 330(1) of CTA 2010 as if it were an amount of corporation tax.

**49 Supplementary charge: investment allowance U.K.**

Schedule 12 contains provision about the reduction of adjusted ring fence profits by means of an investment allowance.

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**50 Supplementary charge: cluster area allowance** **U.K.**

Schedule 13 contains provision about the reduction of adjusted ring fence profits by means of a cluster area allowance.

**51 Amendments relating to investment allowance and cluster area allowance** **U.K.**

Schedule 14 contains further amendments related to the amendments made by Schedules 12 and 13.

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