Finance Act 2015

2015 CHAPTER 11

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 1

CHARGE, RATES ETC

Income tax

1 Charge and rates for 2015-16

(1) Income tax is charged for the year 2015-16.

(2) For that tax year—

(a) the basic rate is 20%,

(b) the higher rate is 40%, and

(c) the additional rate is 45%.

2 Limits and allowances for 2015-16

(1) For the tax year 2015-16—

(a) the amount specified in section 37(2) of ITA 2007 (income limit for personal allowance for those born before 6 April 1938) is replaced with "£27,700",

(b) the amount specified in section 38(1) of that Act (blind person's allowance) is replaced with "£2,290",

(c) the amount specified in section 43 of that Act ("minimum amount" for calculating tax reductions for married couples and civil partners) is replaced with "£3,220",

(d) the amount specified in section 45(3)(a) of that Act (amount for calculating allowance in relation to marriages before 5 December 2005 where spouse is 75 over) is replaced with "£8,355",

(e) the amount specified in section 45(4) of that Act (income limit for calculating allowance in relation to marriages before 5 December 2005) is replaced with "£27,700",

(f) the amount specified in section 46(3)(a) of that Act (amount for calculating allowance in relation to marriages and civil partnerships on or after 5 December 2005 where spouse or civil partner is 75 or over) is replaced with "£8,355", and

(g) the amount specified in section 46(4) of that Act (income limit for calculating allowance in relation to marriages and civil partnerships on or after 5 December 2005) is replaced with "£27,700".

(2) Accordingly, for that tax year, section 57 of that Act (indexation of allowances), so far as relating to the amounts specified in sections 37(2), 38(1), 43, 45(3)(a), 45(4), 46(3)(a) and 46(4) of that Act, does not apply.

3 Personal allowances for 2015-16

(1) Section 2 of FA 2014 (basic rate limit for 2015-16 and personal allowances from 2015) is amended as set out in subsections (2) and (3).

(2) In subsection (1)(b) (amount specified for 2015-16 in section 35(1) of ITA 2007 (personal allowance for those born after 5 April 1938)), for ""£10,500"" substitute ""£10,600"".

(3) In subsection (8) (amendments of section 57 of ITA 2007), omit the "and" at the end of paragraph (a) and after that paragraph insert—

"(aa) in subsection (1)(h), omit "36(2),", and".

(4) In section 55B(4)(a) of ITA 2007 (transferable tax allowance for married couples and civil partners: entitlement to tax reduction), for "£1,050" substitute "£1,060".

(5) The amendments made by subsections (3) and (4) have effect for the tax year 2015-16 and subsequent tax years.

4 Basic rate limit from 2016

(1) The amount specified in section 10(5) of ITA 2007 (basic rate limit) is replaced—

(a) for the tax year 2016-17, with "£31,900", and

(b) for the tax year 2017-18, with "£32,300".

(2) Accordingly, for those tax years section 21 of that Act (indexation of limits), so far as relating to the basic rate limit, does not apply.

5 Personal allowance from 2016

(1) The amount specified in section 35(1) of ITA 2007 (personal allowance for those born after 5 April 1938) is replaced—

(a) for the tax year 2016-17, with "£10,800", and

(b) for the tax year 2017-18, with "£11,000".

(2) Accordingly, for those tax years, section 57 of that Act (indexation of allowances), so far as relating to the amount specified in section 35(1) of that Act, does not apply.

(3) In section 34(1)(a) of that Act, for "sections 35 and 37 deal" substitute "section 35 deals".

(4) In section 35 of that Act (personal allowance for those born after 5 April 1938)—

(a) for paragraphs (a) and (b) substitute "meets the requirements of section 56 (residence etc).", and

(b) for the heading substitute "Personal allowance".

(5) Omit section 37 of that Act (personal allowance for those born before 6 April 1938).

(6) In section 45(4) of that Act (marriages before 5 December 2005), for paragraphs (a) and (b) substitute "half the excess".

(7) In section 46(4) of that Act (marriages and civil partnerships on or after 5 December 2005), for paragraphs (a) and (b) substitute "half the excess".

(8) In section 55B of that Act (transferable tax allowance for married couples and civil partners: tax reduction: entitlement), in subsection (6) omit "or 37".

(9) In section 55C of that Act (election to reduce personal allowance), in subsections (1)(b) and (2), omit "or 37".

(10) In section 57 of that Act (indexation of allowances)—

(a) in subsection (1)(a), for the words following "35(1)" substitute "(personal allowance)",

(b) in subsection (1)(h), omit "37(2),", and

(c) in subsection (4), omit "37(2),".

(11) The amendments made by subsections (3) to (10) have effect for the tax year 2016-17 and subsequent tax years.

Corporation tax

6 Charge for financial year 2016

(1) Corporation tax is charged for the financial year 2016.

(2) For that year the main rate of corporation tax is 20%.

CHAPTER 2

INCOME TAX: GENERAL

7 Cars: the appropriate percentage for 2017-18

(1) ITEPA 2003 is amended as follows.

(2) Section 139 (car with a CO_2 figure: the appropriate percentage) is amended as set out in subsections (3) and (4).

(3) In subsection (2)—

(a) in paragraph (a), for "7%" substitute "9%",

(b) in paragraph (aa), for "11%" substitute "13%", and

(c) in paragraph (b), for "15%" substitute "17%".

(4) In subsection (3), for "16%" substitute "18%".

(5) In section 140(2) (car without a CO_2 figure: the appropriate percentage), in the Table—

(a) for "16%" substitute "18%", and

(b) for "27%" substitute "29%".

(6) In section 142(2) (car first registered before 1 January 1998: the appropriate percentage), in the Table—

(a) for "16%" substitute "18%", and

(b) for "27%" substitute "29%".

(7) The amendments made by this section have effect for the tax year 2017-18.

8 Cars: the appropriate percentage for subsequent tax years

(1) ITEPA 2003 is amended as follows.

(2) Section 139 (car with a CO_2 figure: the appropriate percentage) is amended as set out in subsections (3) and (4).

(3) In subsection (2)—

(a) in paragraph (a), for "9%" substitute "13%",

(b) in paragraph (aa), for "13%" substitute "16%", and

(c) in paragraph (b), for "17%" substitute "19%".

(4) In subsection (3), for "18%" substitute "20%".

(5) In section 140(2) (car without a CO_2 figure: the appropriate percentage), in the Table—

(a) for "18%" substitute "20%", and

(b) for "29%" substitute "31%".

(6) In section 142(2) (car first registered before 1 January 1998: the appropriate percentage), in the Table—

(a) for "18%" substitute "20%", and

(b) for "29%" substitute "31%".

(7) The amendments made by this section have effect for the tax year 2018-19 and subsequent tax years.

9 Diesel cars: the appropriate percentage for 2015-16

(1) In section 141(2) of ITEPA 2003 (diesel cars: the appropriate percentage), in Step 3, for "35%" substitute "37%".

(2) The amendment made by this section has effect for the tax year 2015-16.

10 Zero-emission vans

(1) ITEPA 2003 is amended as follows.

(2) In section 155 (cash equivalent of the benefit of a van), for subsections (1) and (2) substitute—

"(1) The cash equivalent of the benefit of a van for a tax year is calculated as follows.

(1A) If the restricted private use condition is met in relation to the van for the tax year, the cash equivalent is nil.

(1B) If that condition is not met in relation to the van for the tax year—

(a) if the van cannot in any circumstances emit CO_2 by being driven and the tax year is any of the tax years 2015-16 to 2019-20, the cash equivalent is the appropriate percentage of £3,150, and

(b) in any other case, the cash equivalent is £3,150.

(1C) The appropriate percentage for the purposes of subsection (1B)(a) is—

(a) 20% for the tax year 2015-16,

(b) 40% for the tax year 2016-17,

(c) 60% for the tax year 2017-18,

(d) 80% for the tax year 2018-19, and

(e) 90% for the tax year 2019-20."

(3) In section 156(1) (reduction for periods when van unavailable), for "155(1)" substitute "155".

(4) In section 158(1) (reduction for payments for private use), for "155(1)" substitute "155".

(5) In section 160(1)(c) (benefit of fuel treated as earnings), for "section 155(1)(b)" substitute "section 155(1B)(b)".

(6) In section 170 (orders etc relating to Chapter 6 of Part 3), for subsection (1A) substitute—

"(1A) The Treasury may by order substitute a different amount for the amount for the time being specified in—

(a) section 155(1A) (cash equivalent where van subject only to restricted private use by employee),

(b) section 155(1B)(a) (cash equivalent for zero-emission van), and

(c) section 155(1B)(b) (cash equivalent in other cases)."

(7) Article 3 of the Van Benefit and Car and Van Fuel Benefit Order 2014 (S.I. 2014/2896) is revoked.

(8) The amendments made by this section have effect for the tax year 2015-16 and subsequent tax years.

11 Exemption for amounts which would otherwise be deductible

(1) In Part 4 of ITEPA 2003 (employment income: exemptions) after Chapter 7 insert—

"CHAPTER 7A

EXEMPTIONS: AMOUNTS WHICH WOULD OTHERWISE BE DEDUCTIBLE

289A Exemption for paid or reimbursed expenses

(1) No liability to income tax arises by virtue of Chapter 3 of Part 3 (taxable benefits: expenses payments) in respect of an amount ("amount A") paid or reimbursed by a person to an employee (whether or not an employee of the person) in respect of expenses if—

(a) an amount equal to or exceeding amount A would (ignoring this section) be allowed as a deduction from the employee's earnings under Chapter 2 or 5 of Part 5 in respect of the expenses, and

(b) the payment or reimbursement is not provided pursuant to relevant salary sacrifice arrangements.

(2) No liability to income tax arises in respect of an amount paid or reimbursed by a person ("the payer") to an employee (whether or not an employee of the payer) in respect of expenses if—

(a) the amount has been calculated and paid or reimbursed in an approved way (see subsection (6)),

(b) the payment or reimbursement is not provided pursuant to relevant salary sacrifice arrangements, and

(c) conditions A and B are met.

(3) Condition A is that the payer or another person operates a system for checking—

(a) that the employee is, or employees are, in fact incurring and paying amounts in respect of expenses of the same kind, and

(b) that a deduction would (ignoring this section) be allowed under Chapter 2 or 5 of Part 5 in respect of those amounts.

(4) Condition B is that neither the payer nor any other person operating the system knows or suspects, or could reasonably be expected to know or suspect—

(a) that the employee has not incurred and paid an amount in respect of the expenses, or

(b) that a deduction from the employee's earnings would not be allowed under Chapter 2 or 5 of Part 5 in respect of the amount.

(5) "Relevant salary sacrifice arrangements", in relation to an employee to whom an amount is paid or reimbursed in respect of expenses, means arrangements (whenever made, whether before or after the employment began) under which—

(a) the employee gives up the right to receive an amount of general earnings or specific employment income in return for the payment or reimbursement, or

(b) the amount of other general earnings or specific employment income received by the employee depends on the amount of the payment or reimbursement.

(6) For the purposes of this section, a sum is calculated and paid or reimbursed in an approved way if—

(a) it is calculated and paid or reimbursed in accordance with regulations made by the Commissioners for Her Majesty's Revenue and Customs, or

(b) it is calculated and paid or reimbursed in accordance with an approval given under section 289B.

(7) Regulations made under subsection (6)(a) may make different provision for different purposes.

289B Approval to pay or reimburse expenses at a flat rate

(1) A person ("the applicant") may apply to Her Majesty's Revenue and Customs for approval to pay or reimburse expenses of the applicant's employees, or employees of another person, at a rate set out in the application ("the proposed rate").

(2) An officer of Revenue and Customs may give the approval if satisfied that any calculation of a payment or reimbursement of expenses in accordance with the proposed rate, or such other rate as is agreed between the applicant and the officer, would be a reasonable estimate of the amount of expenses actually incurred.

(3) An approval under subsection (2) takes effect in accordance with a notice (an "approval notice") given to the applicant by an officer of Revenue and Customs.

(4) An approval notice must specify—

(a) the rate at which expenses may be paid or reimbursed,

(b) the day from which the approval takes effect, that day not being earlier than the day on which the approval notice is given,

(c) the day on which the approval ceases to have effect, that day not being later than the end of the period of 5 years beginning with the day on which the approval takes effect, and

(d) the type of expenses to which the approval relates.

(5) An approval notice may specify that the approval is subject to conditions specified or described in the notice.

(6) An application for an approval under this section must be in such form and manner, and contain such information, as is specified by Her Majesty's Revenue and Customs.

289C Revocation of approvals

(1) An officer of Revenue and Customs may, if in the officer's opinion there is reason to do so, revoke an approval given under section 289B by giving a further notice (a "revocation notice") to either or both of the following—

(a) the person who applied for the approval, and

(b) the person who is paying or reimbursing expenses in accordance with the approval.

(2) A revocation notice may revoke the approval from—

(a) the day on which the approval took effect, or

(b) a later day specified in the notice.

(3) A revocation under subsection (1) may be in relation to all expenses or expenses of a description specified in the revocation notice.

(4) If the revocation notice revokes the approval from the day on which the approval took effect—

(a) any liability to tax that would have arisen in respect of the payment or reimbursement of expenses if the approval had never been given in relation to such expenses is to be treated as having arisen, and

(b) any person who has made, and any employee who has received, a payment or reimbursement of expenses calculated in accordance with the approval must make all the returns which they would have had to make if the approval had never been given in relation to such expenses.

(5) If the revocation notice revokes the approval from a later day—

(a) any liability to tax that would have arisen in respect of the payment or reimbursement of expenses if the approval had ceased to have effect on that day in relation to such expenses is to be treated as having arisen, and

(b) any person who has made, and any employee who has received, a payment or reimbursement of expenses calculated in accordance with the approval must make all the returns which they would have had to make if the approval had ceased to have effect in relation to such expenses on that day.

289D Exemption for other benefits

(1) No liability to income tax arises by virtue of any provision of the benefits code in respect of an amount ("amount A") treated as earnings of an employee as a result of the provision of a benefit if—

(a) an amount equal to amount A would (ignoring this section) be allowed as a deduction from the employee's earnings under Chapter 3 of Part 5 in respect of the provision of the benefit, and

(b) the benefit is not provided pursuant to relevant salary sacrifice arrangements.

(2) "Relevant salary sacrifice arrangements", in relation to an employee to whom a benefit is provided, means arrangements (whenever made, whether before or after the employment began) under which—

(a) the employee gives up the right to receive an amount of general earnings or specific employment income in return for the provision of the benefit, or

(b) the amount of other general earnings or specific employment income received by the employee depends on the provision of the benefit.

289E Anti-avoidance

(1) This section applies if conditions A to C are met.

(2) Condition A is that, pursuant to arrangements, an amount—

(a) is paid or reimbursed to an employee in respect of expenses, or

(b) is treated as earnings of an employee as a result of the provision of a benefit,

which, in the absence of this section, would have been exempt from income tax.

(3) Condition B is that, in the absence of those arrangements, the employee would have received a greater amount of general earnings or specific employment income in respect of which—

(a) tax would have been chargeable, or

(b) national insurance contributions would have been payable (whether by the employee or another person).

(4) Condition C is that the main purpose, or one of the main purposes, of the arrangements is the avoidance of tax or national insurance contributions.

(5) If this section applies—

(a) the exemption conferred by section 289A does not apply in respect of the amount paid or reimbursed as mentioned in subsection (2)(a), and

(b) the exemption conferred by section 289D does not apply in respect of the amount treated as earnings as mentioned in subsection (2)(b).

(6) In this section "arrangements" includes any scheme, transaction or series of transactions, agreement or understanding, whether or not legally enforceable."

(2) The amendment made by this section has effect for the tax year 2016-17 and subsequent tax years.

12 Abolition of dispensation regime

(1) ITEPA 2003 is amended as follows.

(2) Omit section 65 (dispensations relating to benefits for certain employees).

(3) Omit section 96 (dispensations relating to vouchers or credit-tokens).

(4) Accordingly—

(a) in section 95 (disregard for money, services or goods obtained), omit subsection (1)(b) and the "or" before it, and

(b) in Schedule 7 (transitionals and savings), omit paragraphs 15, 16, 19 and 20 and the italic headings before paragraphs 15 and 19.

(5) The amendments made by this section have effect for the tax year 2016-17 and subsequent tax years.

(6) The repeal of sections 65 and 96 of ITEPA 2003 does not affect the power of an officer of Revenue and Customs to revoke a pre-commencement dispensation from a date earlier than 6 April 2016.

(7) Accordingly, sections 65(6) to (9) and 96(5) to (8) of ITEPA 2003 continue to have effect in relation to a pre-commencement dispensation.

(8) In this section "pre-commencement dispensation" means a dispensation given (or treated as given) under section 65 or 96 of ITEPA 2003 which is in force immediately before 6 April 2016.

13 Extension of benefits code except in relation to certain ministers of religion

(1) Omit Chapter 11 of Part 3 of ITEPA 2003 (taxable benefits: exclusion of lower-paid employments from parts of benefits code).

(2) In Part 4 of that Act (employment income: exemptions), after section 290B insert—

"**290C Provisions of benefits code not applicable to lower-paid ministers of religion**

(1) This section applies where a person is in employment which is lower-paid employment as a minister of religion in relation to a tax year.

(2) No liability to income tax arises in respect of the person in relation to the tax year by virtue of any of the following Chapters of the benefits code—

(a) Chapter 3 (taxable benefits: expenses payments);
(b) Chapter 6 (taxable benefits: cars, vans and related benefits);
(c) Chapter 7 (taxable benefits: loans);
(d) Chapter 10 (taxable benefits: residual liability to charge).

(3) Subsection (2)—

(a) means that in any of those Chapters a reference to an employee does not include an employee whose employment is within the exclusion in that subsection, if the context is such that the reference is to an employee in relation to whom the Chapter applies, but
(b) does not restrict the meaning of references to employees in other contexts.

(4) Subsection (2) has effect subject to—

(a) section 188(2) (discharge of loan: where employment becomes lower-paid), and
(b) section 290G (employment in two or more related employments).

290D Meaning of "lower-paid employment as a minister of religion"

(1) For the purposes of this Part an employment is "lower-paid employment as a minister of religion" in relation to a tax year if—

(a) the employment is direct employment as a minister of a religious denomination, and
(b) the earnings rate for the employment for the year (calculated under section 290E) is less than £8,500.

(2) An employment is not "direct employment" for the purposes of subsection (1)(a) if—

(a) it is an employment which is treated as existing under—

(i) section 56(2) (deemed employment of worker by intermediary), or

(ii) section 61G(2) (deemed employment of worker by managed service company), or

(b) an amount counts as employment income in respect of it by virtue of section 554Z2(1) (treatment of relevant step under Part 7A (employment income provided through third parties)).

(3) Subsection (1) is subject to section 290G.

290E Calculation of earnings rate for a tax year

(1) For any tax year the earnings rate for an employment is to be calculated as follows—

Step 1

Find the total of the following amounts—

(a) the total amount of the earnings from the employment for the year within Chapter 1 of Part 3 (earnings),

(b) the total of any amounts that are treated as earnings from the employment for the year under the benefits code (see subsections (2) and (3)), and

(c) the total of any amounts that are treated as earnings from the employment for the year under Chapter 12 of Part 3 (other amounts treated as earnings),

excluding any exempt income, other than any attributable to section 290A or 290B (accommodation outgoings of ministers of religion).

Step 2

Add to that total any extra amount required to be added for the year by section 290F (extra amounts to be added in connection with a car).

Step 3

Subtract the total amount of any authorised deductions (see subsection (4)) from the result of step 2.

Step 4

The earnings rate for the employment for the year is given by the formula—

$$R \times \frac{Y}{E}$$

where—

R is the result of step 3,

Y is the number of days in the year, and

E is the number of days in the year when the employment is held.

(2) Section 290C(2) (provisions of benefits code not applicable to lower-paid ministers of religion) is to be disregarded for the purpose of determining any amount under step 1.

(3) If the benefit of living accommodation is to be taken into account under step 1, the cash equivalent is to be calculated in accordance with section 105 (even if the cost of providing the accommodation exceeds £75,000).

(4) For the purposes of step 3 "authorised deduction" means any deduction that would (assuming it was an amount of taxable earnings) be allowed from any amount within step 1 under—

section 346 (employee liabilities),

section 370 (travel costs and expenses where duties performed abroad: employee's travel),

section 371 (travel costs and expenses where duties performed abroad: visiting spouse's, civil partner's or child's travel),

section 373 (non-domiciled employee's travel costs and expenses where duties performed in UK),

section 374 (non-domiciled employee's spouse's, civil partner's or child's travel costs and expenses where duties performed in UK),

section 376 (foreign accommodation and subsistence costs and expenses (overseas employments)),

section 713 (payroll giving to charities),

sections 188 to 194 of FA 2004 (contributions to registered pension schemes), or

section 262 of CAA 2001 (capital allowances to be given effect by treating them as deductions).

290F Extra amounts to be added in connection with a car

(1) The provisions of this section apply for the purposes of section 290E in the case of a tax year in which a car is made available as mentioned in section 114(1) (cars, vans and related benefits) by reason of the employment.

(2) Subsection (3) applies if in the tax year—

(a) an alternative to the benefit of the car is offered, and

(b) the amount that would be earnings within Chapter 1 of Part 3 if the benefit of the car were to be determined by reference to the alternative offered exceeds the benefit code earnings (see subsection (4)).

(3) The amount of the excess is an extra amount to be added under step 2 in section 290E(1).

(4) For the purposes of subsection (2) "the benefit code earnings" is the total for the year of—

(a) the cash equivalent of the benefit of the car (calculated in accordance with Chapter 6 of Part 3 (taxable benefits: cars, vans etc)), and

(b) the cash equivalent (calculated in accordance with that Chapter) of the benefit of any fuel provided for the car by reason of the employment.

(5) Section 290C(2) (provisions of benefits code not applicable to lower-paid ministers of religion) is to be disregarded for the purpose of determining any amount under this section.

290G Related employments

(1) This section applies if a person is employed in two or more related employments.

(2) None of the employments is to be regarded as lower-paid employment as a minister of religion in relation to a tax year if—

(a) the total of the earnings rates for the employments for the year (calculated in each case under section 290E) is £8,500 or more, or

(b) any of them is an employment falling outside the exclusion contained in section 290C(2) (provisions of benefits code not applicable to lower-paid ministers of religion).

(3) For the purposes of this section two employments are "related" if—

(a) both are with the same employer, or

(b) one is with a body or partnership ("A") and the other is either—

(i) with an individual, partnership or body that controls A ("B"), or

(ii) with another partnership or body also controlled by B.

(4) Section 69 (extended meaning of "control") applies for the purposes of this section as it applies for the purposes of the benefits code."

(3) Schedule 1 contains amendments relating to subsections (1) and (2).

(4) The amendments made by this section and Schedule 1 have effect for the tax year 2016-17 and subsequent tax years.

14 Exemption for board or lodging provided to carers

(1) Part 4 of ITEPA 2003 (employment income: exemptions) is amended as follows.

(2) In Chapter 8 (exemptions: special kinds of employees), after section 306 insert—

"Carers

306A Carers: board and lodging

(1) For the purposes of this section an individual is employed as a home care worker if the duties of the employment consist wholly or mainly of the provision of personal care to another individual ("the recipient") at the recipient's home, in a case where the recipient is in need of personal care because of—

(a) old age,

(b) mental or physical disability,

(c) past or present dependence on alcohol or drugs,

(d) past or present illness, or

(e) past or present mental disorder.

(2) No liability to income tax arises by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge) in respect of the provision of board or

lodging (or both) to an individual employed as a home care worker if the provision is—

(a) on a reasonable scale,

(b) at the recipient's home, and

(c) by reason of the individual's employment as a home care worker."

(3) In section 228 (effect of exemptions on liability under provisions outside Part 2), in subsection (2)(d), after "291" insert "and 306A".

(4) The amendments made by this section have effect for the tax year 2016-17 and subsequent tax years.

15 Lump sums provided under armed forces early departure scheme

(1) In section 640A of ITEPA 2003 (lump sums provided under armed forces early departure scheme), at the end insert "or the Armed Forces Early Departure Payments Scheme Regulations 2014 (S.I. 2014/2328)".

(2) Subsection (1) comes into force on 1 April 2015.

16 Bereavement support payment: exemption from income tax

(1) ITEPA 2003 is amended as follows.

(2) In Part 1 of Table B in section 677(1) (UK social security benefits wholly exempt from tax), at the appropriate place insert—

"Bereavement support payment	PA 2014	Section 30
	Any provision made for Northern Ireland which corresponds to section 30 of PA 2014"	

(3) In Part 1 of Schedule 1 (abbreviations of Acts and instruments), at the appropriate place insert—

"PA 2014	The Pensions Act 2014"

(4) The amendments made by this section have effect in accordance with regulations made by the Treasury.

(5) Regulations under subsection (4) may make different provision for different purposes.

(6) Section 1014(4) of ITA 2007 (regulations etc subject to annulment) does not apply in relation to regulations under subsection (4).

17 PAYE: benefits in kind

(1) Section 684 of ITEPA 2003 (PAYE regulations) is amended as follows.

(2) In the list in subsection (2), after item 1 insert—

"1ZA Provision—

(a) for authorising a person ("P"), in a case where the PAYE income of an employee (whether an employee of P or of another person) includes an amount charged to tax under any of Chapters 3 and 5

to 10 of Part 3 in respect of the provision of a benefit of a specified kind—

(i) to make deductions of income tax in respect of the benefit from any payment or payments actually made of, or on account of, PAYE income of the employee, or

(ii) to make repayments of such income tax,

(b) for any such deductions or repayments to be made at a specified time,

(c) for the amount of any such deductions or repayments to be calculated in accordance with the regulations,

(d) for the provision of the benefit to be treated for specified purposes as a payment of PAYE income, and

(e) for making persons who make any such deductions or repayments accountable to or, as the case may be, entitled to repayment from the Commissioners."

(3) For subsection (3) substitute—

"(3) The deductions of income tax—

(a) required to be made by PAYE regulations under item 1 in the above list, or

(b) which a person is authorised to make by PAYE regulations under item 1ZA in that list,

may be required to be made at the basic rate or other rates in such cases or classes of case as may be provided by the regulations."

18 Employment intermediaries: determination of penalties

(1) Section 100 of TMA 1970 (determination of penalties by officer of Board) is amended as follows.

(2) In subsection (2)(c), after "those amendments" insert ", subject to subsection (2A)".

(3) After subsection (2) insert—

"(2A) Subsection (2)(c) does not exclude the application of subsection (1) where the penalty relates to a failure to furnish any information or produce any document or record in accordance with regulations under section 716B of ITEPA 2003 (employment intermediaries to keep, preserve and provide information etc)."

19 Arrangements offering a choice of capital or income return

(1) Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc from UK resident companies and tax credits etc in respect of certain distributions) is amended in accordance with subsections (2) to (6).

(2) After section 396 insert—

"Other amounts treated as distributions

396A Arrangements offering a choice of capital or income return

(1) Subsection (2) applies if a person ("S") has a choice either—

(a) to receive what would (ignoring this section) be a distribution of a company, or

(b) to receive from that company, or from a third party, anything else ("the alternative receipt") which—

(i) is of the same or substantially the same value, and

(ii) (ignoring this section) would not be charged to income tax.

(2) If S chooses the alternative receipt—

(a) for income tax purposes it is treated as a distribution made to S by that company in the tax year in which it is received by S, and

(b) for the purposes of the following provisions it is treated as a qualifying distribution so made—

(i) section 397 (tax credits for qualifying distributions of UK resident companies: UK residents and eligible non-UK residents);

(ii) section 399 (qualifying distributions received by persons not entitled to tax credits);

(iii) section 1100 of CTA 2010 (qualifying distributions: right to request a statement).

(3) For the purposes of this section—

(a) it does not matter if the choice mentioned in subsection (1) is subject to any conditions being met or to the exercise of any power;

(b) where S is offered one thing subject to a right, however expressed, to choose another instead, S is to be regarded as making a choice if S abandons or fails to exercise such a right.

(4) If at any time a tax other than income tax ("the other tax") is charged in relation to the alternative receipt, in order to avoid a double charge to tax in respect of that receipt, a person may make a claim for one or more consequential adjustments to be made in respect of the other tax.

(5) On a claim under subsection (4) an officer of Revenue and Customs must make such of the consequential adjustments claimed (if any) as are just and reasonable.

(6) Consequential adjustments may be made—

(a) in respect of any period,

(b) by way of an assessment, the modification of an assessment, the amendment of a claim, or otherwise, and

(c) despite any time limit imposed by or under an enactment."

(3) In section 382 (contents of Chapter 3), in subsection (1), omit the "and" at the end of paragraph (b) and after paragraph (c) insert ", and

(d) treats distributions as made in some circumstances (see section 396A)."

(4) In section 385 (person liable), in subsection (1)(a) for "and 389(3)" substitute ", 389(3) and 396A".

(5) In section 397 (tax credits for qualifying distributions of UK resident companies: UK residents and eligible non-UK residents), after subsection (5) insert—

"(5A) This section needs to be read with section 396A(2) (which treats certain receipts as "qualifying distributions" for the purposes of this section)."

(6) In section 399 (qualifying distributions received by persons not entitled to tax credits), after subsection (5) insert—

"(5A) This section needs to be read with section 396A(2) (which treats certain receipts as "qualifying distributions" for the purposes of this section)."

(7) In section 481 of ITA 2007 (other amounts to be charged at special rates for trustees), in subsection (3), after "Type 1" insert "or Type 12".

(8) In section 482 of that Act (types of amount to be charged at special rates for trustees), at the end insert—

"Type 12 Income treated as arising to the trustees under section 396A of ITTOIA 2005 (arrangements offering a choice of income or capital return)."

(9) In section 1100 of CTA 2010 (qualifying distributions: right to request a statement), after subsection (6) insert—

"(7) This section needs to be read with section 396A(2) of ITTOIA 2005 (which treats certain receipts as "qualifying distributions" for the purposes of this section)."

(10) The amendments made by subsections (2) to (4), (7) and (8) have effect in relation to things received on or after 6 April 2015 (even if the choice to receive them was made before that date).

20 Intermediaries and Gift Aid

(1) Chapter 2 of Part 8 of ITA 2007 (gift aid) is amended as follows.

(2) In section 416 (meaning of "qualifying donation" for the purpose of gift aid relief)—

(a) in subsection (1)(b)—

(i) after "the individual" insert ", or an intermediary representing the individual," and

(ii) after "the charity" insert ", or an intermediary representing the charity,", and

(b) after subsection (1) insert—

"(1A) For the purpose of subsection (1)(b) an intermediary is—

(a) a person authorised by the individual to give a gift aid declaration on behalf of that individual to the charity,

(b) a person authorised by a charity to receive a gift aid declaration on behalf of that charity, or

(c) a person authorised to perform both of the roles described in paragraphs (a) and (b)."

(3) For section 428(3) (regulations in relation to gift aid declarations) substitute—

"(3) The regulations may also require—

(a) charities, or intermediaries within the meaning of section 416(1A), to keep records with respect to declarations received from individuals or from those intermediaries,

(b) charities or intermediaries to produce, for inspection by an officer of Revenue and Customs, any records required to be kept by those charities or intermediaries by regulations made under paragraph (a), and

(c) intermediaries to provide statements of account, and other specified information relating to declarations made, in such form and at such times as may be specified, to individuals who have authorised those intermediaries to give those declarations to charities on their behalf.

(4) The regulations may also make different provision for different cases or circumstances, including—

(a) different provision for declarations made in a different manner or by different descriptions of persons, and

(b) different provision depending on whether or not an intermediary, within the meaning of section 416(1A), is involved in the giving or receiving of the declaration."

(4) The amendments made by this section have effect in relation to gifts made on or after a day appointed in regulations made by the Treasury.

(5) Section 1014(4) of ITA 2007 (regulations etc subject to annulment) does not apply to regulations under subsection (4).

21 Disguised investment management fees

(1) In Part 13 of ITA 2007 (tax avoidance), after Chapter 5D insert—

"**CHAPTER 5E**

DISGUISED INVESTMENT MANAGEMENT FEES

809EZA Disguised investment management fees: charge to income tax

(1) Where one or more disguised fees arise to an individual in a tax year from one or more investment schemes (whether or not by virtue of the same arrangements), the individual is liable for income tax for the tax year in respect of the disguised fee or fees as if—

(a) the individual were carrying on a trade for the tax year,

(b) the disguised fee or fees were the profits of the trade of the tax year, and

(c) the individual were the person receiving or entitled to those profits.

(2) For the purposes of subsection (1) the trade is treated as carried on—

(a) in the United Kingdom, to the extent that the individual performs the relevant services in the United Kingdom;

(b) outside the United Kingdom, to the extent that the individual performs the relevant services outside the United Kingdom;

and for this purpose "the relevant services" means the investment management services by virtue of which the disguised fee or fees arise to the individual in the tax year.

(3) For the purposes of this Chapter a "disguised fee" arises to an individual in a tax year from an investment scheme if—

(a) the individual performs investment management services directly or indirectly in respect of the scheme under any arrangements,

(b) the arrangements involve at least one partnership,

(c) under the arrangements, a management fee arises to the individual directly or indirectly from the scheme in the tax year (see section 809EZB), and

(d) some or all of the management fee is untaxed;

and the amount of the disguised fee is so much of the management fee as is untaxed.

(4) For the purposes of subsection (3) the management fee is "untaxed" if and to the extent that the fee would not (apart from this section)—

(a) be charged to tax under ITEPA 2003 as employment income of the individual for any tax year, or

(b) be brought into account in calculating the profits of a trade of the individual for the purposes of income tax for any tax year.

(5) In subsection (4) "trade" includes profession or vocation.

(6) In this Chapter "investment scheme" means—

(a) a collective investment scheme, or

(b) an investment trust.

809EZB Meaning of "management fee" in section 809EZA

(1) Subject as follows, for the purposes of section 809EZA "management fee" means any sum (including a sum in the form of a loan or advance or an allocation of profits) except so far as the sum constitutes—

(a) a repayment (in whole or part) of an investment made directly or indirectly by the individual in the scheme,

(b) an arm's length return on an investment made directly or indirectly by the individual in the scheme, or

(c) carried interest (see sections 809EZC and 809EZD).

(2) For the purposes of subsection (1)(b) a return on an investment is "an arm's length return" if—

(a) the return is on an investment which is of the same kind as investments in the scheme made by external investors,

(b) the return on the investment is reasonably comparable to the return to external investors on those investments, and

(c) the terms governing the return on the investment are reasonably comparable to the terms governing the return to external investors on those investments.

(3) In this Chapter "sum" includes any money or money's worth (and other expressions are to be construed accordingly).

(4) Where—

(a) a sum in the form of money's worth arises to the individual from the scheme in the ordinary course of the scheme's business, and

(b) the individual gives the scheme money in exchange for the sum,

the sum constitutes a "management fee" only to the extent that its market value at the time it arises exceeds the amount of the money given by the individual.

809EZC Meaning of "carried interest" in section 809EZB

(1) For the purposes of section 809EZB "carried interest" means a sum which arises to the individual under the arrangements by way of profit-related return.

This is subject to subsections (3) to (8) (sums where no significant risk of not arising); and see also section 809EZD (sums treated as carried interest).

(2) A sum which arises to the individual under the arrangements does so by way of "profit-related return" if under the arrangements—

(a) the sum is to, or may, arise only if—

(i) there are profits for a period on the investments, or on particular investments, made for the purposes of the scheme, or

(ii) there are profits arising from a disposal of the investments, or of particular investments, made for those purposes,

(b) the amount of the sum which is to, or may, arise is variable, to a substantial extent, by reference to those profits, and

(c) returns to external investors are also determined by reference to those profits;

but where any part of the sum does not meet these conditions, that part is not to be regarded as arising by way of "profit-related return".

(3) Where—

(a) one or more sums ("actual sums") arise to the individual under the arrangements by way of profit-related return in a tax year, and

(b) there was no significant risk that a sum of at least a certain amount ("the minimum amount") would not arise to the individual,

so much of the actual sum, or of the aggregate of the actual sums, as is equal to the minimum amount is not "carried interest".

(See subsections (7) and (8) as to how the minimum amount is to be apportioned between the actual sums where more than one actual sum arises in the tax year.)

(4) For the purposes of subsection (3)(b) assess the risk both—

(a) in relation to each actual sum (and the investments to which it relates) individually, taking into account also any other sums that might have arisen to the individual under the arrangements instead of that sum, and

(b) in relation to the actual sum or sums and any other sums that might have arisen to the individual under the arrangements by way of profit-related return in the tax year (and the investments to which all those sums relate) taken as a whole;

(so that, in a particular case, some of the minimum amount may arise by assessing the risk in accordance with paragraph (a) and some by assessing it in accordance with paragraph (b)).

(5) For the purposes of subsection (3)(b) assess the risk as at the latest of—

(a) the time when the individual becomes party to the arrangements,

(b) the time when the individual begins to perform investment management services directly or indirectly in respect of the scheme under the arrangements, and

(c) the time when a material change is made to the arrangements so far as relating to the sums which are to, or may, arise to the individual.

(6) For the purposes of subsection (3)(b) ignore any risk that a sum is prevented from arising to the individual (by reason of insolvency or otherwise).

(7) Where more than one actual sum arises in the tax year, the minimum amount is to be apportioned between the actual sums as follows for the purposes of subsection (3)—

(a) so much of the minimum amount as is attributable to a particular actual sum is to be apportioned to that actual sum, and

(b) so much of the minimum amount as is not attributable to any particular actual sum is to be apportioned between the actual sums on a just and reasonable basis.

(8) For the purpose of subsection (7) any part of the minimum amount is attributable to a particular actual sum to the extent that there was no significant risk that that part would not arise to the individual in relation to that actual sum, assessing the risk in accordance with subsection (4)(a).

809EZD Sums treated as "carried interest" for purposes of section 809EZB

(1) A sum falling within subsection (2) or (3)—

(a) is to be assumed to meet the requirements of section 809EZC, and

(b) accordingly, is to be treated as constituting "carried interest" for the purposes of section 809EZB.

(2) A sum falls within this subsection if, under the arrangements, it is to, or may, arise to the individual out of profits on the investments made for the purposes of the scheme, but only after—

(a) all, or substantially all, of the investments in the scheme made by the participants have been repaid to the participants, and

(b) each external investor has received a preferred return on all, or substantially all, of the investor's investments in the scheme.

(3) A sum falls within this subsection if, under the arrangements, it is to, or may, arise to the individual out of profits on a particular investment made for the purposes of the scheme, but only after—

(a) all, or substantially all, of the relevant investments made by participants have been repaid to those participants, and

(b) each of those participants who is an external investor has received a preferred return on all, or substantially all, of the investor's relevant investments;

and for this purpose "relevant investments" means those investments in the scheme to which the particular investment made for the purposes of the scheme is attributable.

(4) In this section "preferred return" means a return of not less than the amount that would be payable on the investment by way of interest if—

(a) compound interest were payable on the investment for the whole of the period during which it was invested in the scheme, and

(b) the interest were calculated at a rate of 6% per annum, with annual rests.

809EZE Interpretation of Chapter

(1) In this Chapter—

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

"collective investment scheme" has the meaning given by section 235 of FISMA 2000;

"external investor", in relation to an investment scheme and any arrangements, means a participant in the scheme other than—

(a) an individual who performs investment management services directly or indirectly in respect of the scheme, or

(b) a person through whom sums are to, or may, arise directly or indirectly to such an individual from the scheme under the arrangements;

"investment management services", in relation to an investment scheme, includes—

(a) seeking funds for the purposes of the scheme from participants or potential participants,

(b) researching potential investments to be made for the purposes of the scheme,

(c) acquiring, managing or disposing of property for the purposes of the scheme, and

(d) acting for the purposes of the scheme with a view to assisting a body in which the scheme has made an investment to raise funds;

"investment trust" means a company in relation to which conditions A to C in section 1158 of CTA 2010 are met (or treated as met); and for this purpose "company" has the meaning given by section 1121 of CTA 2010;

"market value" has the same meaning as in TCGA 1992 (see sections 272 and 273 of that Act);

"participant"—

(a) in relation to a collective investment scheme, is construed in accordance with section 235 of FISMA 2000;

(b) in relation to an investment trust, means a member of the investment trust;

"profits", in relation to an investment made for the purposes of an investment scheme, means profits (including unrealised profits) arising from the acquisition, holding, management or disposal of the investment (taking into account items of a revenue nature and items of a capital nature).

(2) In this Chapter a reference to an investment made by a person in an investment scheme is a reference to a contribution by the person (whether by way of capital, loan or otherwise) towards the property subject to the scheme (but does not include a sum committed but not yet invested).

(3) For the purposes of subsection (2) a person who holds a share in an investment scheme which is a company limited by shares and who acquired the share from a person other than the scheme is to be taken to have made a contribution towards the property subject to the scheme equal to—

(a) the consideration given by the person for the acquisition of the share, or

(b) if less, the market value of the share at the time of the acquisition.

(4) In this Chapter, in relation to an investment scheme which is a company limited by shares—

(a) references to a repayment of, or a return on, an investment in the scheme include a repayment of, or a return on, an investment represented by a share in the scheme resulting from—

(i) the purchase of the share by the scheme,

(ii) the redemption of the share by the scheme,

(iii) the distribution of assets in respect of the share on the winding up of the scheme, or

(iv) any similar process;

(b) references to a return on an investment in the scheme include a dividend or similar distribution in respect of a share in the scheme representing the investment.

809EZF Disguised investment management fees: anti-avoidance

In determining whether section 809EZA applies in relation to an individual, no regard is to be had to any arrangements the main purpose, or one of the main purposes, of which is to secure that that section does not apply in relation to—

(a) the individual, or

(b) the individual and one or more other individuals.

809EZG Disguised investment management fees: avoidance of double taxation

(1) This section applies where—

(a) income tax is charged on an individual by virtue of section 809EZA in respect of a disguised fee, and

(b) at any time, a tax (whether income tax or another tax) is charged on the individual otherwise than by virtue of section 809EZA in relation to the disguised fee.

(2) This section also applies where—

(a) income tax is charged on an individual by virtue of section 809EZA in respect of a disguised fee which arises to the individual under the arrangements by way of a loan or advance,

(b) at any time, a tax (whether income tax or another tax) is charged on the individual in relation to another sum which arises to the individual under the arrangements, and

(c) some or all of the loan or advance has to be repaid as a result of the other sum having arisen to the individual.

(3) In order to avoid a double charge to tax, the individual may make a claim for one or more consequential adjustments to be made in respect of the tax charged as mentioned in subsection (1)(b) or (2)(b).

(4) On a claim under this section an officer of Revenue and Customs must make such of the consequential adjustments claimed (if any) as are just and reasonable.

(5) The value of any consequential adjustments must not exceed the lesser of the income tax charged on the individual as mentioned in subsection (1)(a) or (2)(a) and—

(a) where subsection (1) applies, the tax charged as mentioned in subsection (1)(b);

(b) where subsection (2) applies, the tax charged as mentioned in subsection (2)(b) in relation to so much of the other sum as does not exceed the amount of the loan or advance that has to be repaid as mentioned in subsection (2)(c).

(6) Consequential adjustments may be made—

(a) in respect of any period,

(b) by way of an assessment, the modification of an assessment, the amendment of a claim, or otherwise, and

(c) despite any time limit imposed by or under any enactment.

809EZH Powers to amend Chapter

(1) The Treasury may by regulations amend this Chapter—

(a) so as to change the definition of "investment scheme" for the purposes of this Chapter;

(b) so as to change the definition of "participant" for those purposes;

(c) so as to change what is "carried interest" for the purposes of section 809EZB.

(2) Regulations under this section may—

(a) make different provision for different purposes, and

(b) contain incidental, supplemental, consequential and transitional provision and savings.

(3) A statutory instrument containing regulations under this section to which subsection (4) applies may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

(4) This subsection applies if the regulations contain any provision which has or may have the effect of increasing any person's liability to tax.

(5) Any other statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons."

(2) In section 2 of ITA 2007 (overview of Act), in subsection (13)—

(a) after paragraph (h) insert—

"(ha) disposals of assets through partnerships (Chapter 5D),";

(b) after paragraph (ha) insert—

"(hb) disguised investment management fees (Chapter 5E),".

(3) In Schedule 4 to ITA 2007 (index of defined expressions), at the appropriate places insert—

"arrangements (in Chapter 5E of Part 13)	section 809EZE(1)"
"collective investment scheme (in Chapter 5E of Part 13)	section 809EZE(1)"
"disguised fee (in Chapter 5E of Part 13)	section 809EZA(3)"
"external investor (in Chapter 5E of Part 13)	section 809EZE(1)"
"investment (in investment scheme) (in Chapter 5E of Part 13)	section 809EZE(2)"
"investment management services (in Chapter 5E of Part 13)	section 809EZE(1)"
"investment scheme (in Chapter 5E of Part 13)	section 809EZA(6)"
"investment trust (in Chapter 5E of Part 13)	section 809EZE(1)"
"market value (in Chapter 5E of Part 13)	section 809EZE(1)"
"participant (in Chapter 5E of Part 13)	section 809EZE(1)"
"profits (on investment made for purposes of investment scheme) (in Chapter 5E of Part 13)	section 809EZE(1)"
"repayment of, and return on, investment in certain investment schemes (in Chapter 5E of Part 13)	section 809EZE(4)"
"sum (in Chapter 5E of Part 13)	section 809EZB(3)".

(4) The amendments made by subsections (1), (2)(b) and (3) have effect in relation to sums arising on or after 6 April 2015 (whenever the arrangements under which the sums arise were made).

22 Miscellaneous loss relief

(1) Chapter 7 of Part 4 of ITA 2007 (losses from miscellaneous transactions) is amended as follows.

(2) In section 152 (losses from miscellaneous transactions)—

(a) for subsection (1) substitute—

"(1) If in a tax year ("the loss-making year") a person makes a loss in a relevant transaction, the person may make a claim for loss relief against relevant miscellaneous income.";

(b) in subsection (2)(a), for "section 1016 income" substitute "income on which income tax is charged under, or by virtue of, a relevant section 1016 provision ("the relevant provision")";

(c) after subsection (2) insert—

"(2A) A relevant section 1016 provision" means a provision to which section 1016 applies, other than—

(a) regulation 17 of the Offshore Funds (Tax) Regulations 2009 (S.I. 2009/3001) (treatment of participants in non-reporting funds: charge to tax on disposal of asset), or

(b) Chapter 9 of Part 4 of ITTOIA 2005 (gains from contracts for life insurance etc).";

(d) in subsection (4), after "person's" insert "relevant";

(e) in subsection (5), for "A person's miscellaneous income" substitute "The person's "relevant miscellaneous income", in relation to the loss,";

(f) for paragraph (b) of that subsection substitute—

"(b) income on which income tax is charged under, or by virtue of, the relevant provision.";

(g) in subsection (7), before "miscellaneous", in both places it appears, insert "relevant";

(h) omit subsection (8);

(i) in subsection (9), omit the "and" at the end of paragraph (b) and after that paragraph insert—

"(ba) section 154A (anti-avoidance), and".

(3) In section 153 (how relief works), before "miscellaneous", in each place it appears, insert "relevant".

(4) In section 154 (transactions in deposit rights), in subsection (3)—

(a) after "against" insert "relevant", and

(b) for the words from the second "miscellaneous" to the end substitute "relevant miscellaneous income, for the tax year, in relation to the loss."

(5) Before section 155 (time limit for claiming relief), but after the italic heading before that section (supplementary), insert—

"**154A Anti-avoidance**

(1) Subsection (2) applies if—

(a) a person makes a loss in a relevant transaction, and

(b) that loss arises directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements.

(2) The person is not to be given loss relief under section 152 for the loss.

(3) Subsection (4) applies if—

(a) a person has income on which income tax is chargeable under, or by virtue of, a relevant section 1016 provision, and

(b) that income arises directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements.

(4) The person is not to be given loss relief against that income under section 152.

(5) In this section "relevant tax avoidance arrangements" means arrangements—

(a) to which the person is party, and

(b) the main purpose, or one of the main purposes, of which is to obtain a reduction in tax liability by means of loss relief under section 152.

(6) In subsection (5) "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(6) In section 155 (time limit for claiming relief), in subsections (1) and (2), before "miscellaneous" insert "relevant".

(7) In consequence of subsection (2)(h), in FA 2009, omit section 69.

(8) The amendments made by subsections (2)(a) to (h), (3), (4), (6) and (7)—

(a) have effect for the tax year 2015-16 and subsequent tax years, and

(b) apply in relation to a loss whether it is made before, during or after that tax year.

(9) The amendments made by subsections (2)(i) and (5) have effect in relation to losses and income arising on or after 3 December 2014 directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements (whenever the arrangements are made).

(10) Subsection (4) of section 154A of ITA 2007 (inserted by subsection (5) of this section) applies in relation to loss relief, under section 152 of that Act, for losses whenever made.

(11) In relation to income arising on or after 3 December 2014 but before the beginning of the tax year 2015-16, section 154A of ITA 2007 has effect as if for paragraph (a) of subsection (3) of that section there were substituted—

"(a) a person has section 1016 income (within the meaning of section 152), and".

23 Exceptions from duty to deduct tax: qualifying private placements

(1) In Chapter 3 of Part 15 of ITA 2007 (deduction of tax from certain payments of yearly interest), after section 888 insert—

"**888A Qualifying private placements**

(1) The duty to deduct a sum representing income tax under section 874 does not apply to a payment of interest on a qualifying private placement.

(2) "Qualifying private placement" means a security—

(a) which represents a loan relationship to which a company is a party as debtor,

(b) which is not listed on a recognised stock exchange, and

(c) in relation to which such other conditions as the Treasury may specify by regulations are met.

(3) The conditions which may be specified under subsection (2)(c) include conditions relating to—

(a) the security itself,

(b) the loan relationship represented by the security,

(c) the terms on which, or circumstances under which, the security or loan relationship is entered into,

(d) the company which is party to the loan relationship as debtor,

(e) any person by or through whom a payment of interest on the security is made, or

(f) the holder of the security.

(4) Regulations under this section may make provision about the consequences of failing to make a deduction under section 874, in respect of a payment of interest on a security, in cases where the person required to make the deduction had a reasonable, but mistaken, belief that the security was a qualifying private placement.

(5) Regulations under this section may—

(a) make different provision for different cases;

(b) contain incidental, supplemental, consequential and transitional provision and savings.

(6) In this section "loan relationship" has the same meaning as in Part 5 of CTA 2009."

(2) Any power conferred on the Treasury by virtue of subsection (1) to make regulations comes into force on the day on which this Act is passed.

(3) So far as not already brought into force by subsection (2), the amendment made by this section comes into force on such day as the Treasury may by regulations appoint.

(4) Section 1014(4) of ITA 2007 (regulations etc subject to annulment) does not apply to regulations under subsection (3).

24 Increased remittance basis charge

(1) Chapter A1 of Part 14 of ITA 2007 (remittance basis) is amended as follows.

(2) In section 809C (claim for remittance basis by long-term UK resident: nomination of foreign income and gains to which section 809H(2) is to apply)—

(a) in subsection (1)(b), after "meets" insert "the 17-year residence test,";

(b) after subsection (1) insert—

"(1ZA) An individual meets the 17-year residence test for a tax year if the individual has been UK resident in at least 17 of the 20 tax years immediately preceding that year.";

(c) in subsection (1A), after "the individual" insert—

"(a) does not meet the 17-year residence test for that year, but (b)";

(d) in subsection (1B)(a), after "meet" insert "the 17-year residence test or";

(e) in subsection (4)—

(i) before paragraph (a) insert—

"(za) for an individual who meets the 17-year residence test for that year, £90,000;";

(ii) in paragraph (a), for "£50,000" substitute "£60,000".

(3) In section 809H (claim for remittance basis by long-term UK resident: charge)—

(a) in subsection (1)(c), after "meets" insert "the 17-year residence test,";

(b) in subsection (1A)—

(i) for "809C(1A)" substitute "809C(1ZA), (1A)";

(ii) after "meets" insert "the 17-year residence test,";

(c) in subsection (5B)—

(i) before paragraph (a) insert—

"(za) if the individual meets the 17-year residence test for the relevant tax year, £90,000;";

(ii) in paragraph (a), for "£50,000" substitute "£60,000".

(4) The amendments made by this section have effect for the tax year 2015-16 and subsequent tax years.

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".

(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 a 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.

26 Intangible fixed assets: goodwill etc acquired from a related party

(1) Part 8 of CTA 2009 (intangible fixed assets) is amended as follows.

(2) In section 746 ("non-trading credits" and "non-trading debits"), in subsection (2), omit the "and" at the end of paragraph (b) and after that paragraph insert—

"(ba) sections 849C(3)(b) and 849D(3) (certain debits relating to goodwill etc acquired from a related individual or firm), and".

(3) In section 844 (overview of Chapter 13), after subsection (2) insert—

"(2A) Sections 849B to 849D contain restrictions relating to debits in respect of goodwill and certain other assets acquired by a company from—

(a) an individual who is a related party in relation to the company, or

(b) a firm with a member who is an individual and a related party in relation to the company."

(4) After section 849A insert—

"Transfers of goodwill etc to company by related individual or firm

849B Circumstances in which restrictions on debits in respect of goodwill etc apply

(1) This section applies if—

(a) a company ("C") acquires a relevant asset directly or indirectly from an individual or a firm ("the transferor"), and

(b) at the time of the acquisition—

(i) if the transferor is an individual, the transferor is a related party in relation to C, or

(ii) if the transferor is a firm, any individual who is a member of the transferor is a related party in relation to C.

(2) "Relevant asset" means—

(a) goodwill in a business, or part of a business, carried on by the transferor,

(b) an intangible fixed asset that consists of information which relates to customers or potential customers of a business, or part of a business, carried on by the transferor,

(c) an intangible fixed asset that consists of a relationship (whether contractual or not) that the transferor has with one or more customers of a business, or part of a business, carried on by the transferor,

(d) an unregistered trade mark or other sign used in the course of a business, or part of a business, carried on by the transferor, or

(e) a licence or other right in respect of an asset ("the licensed asset") within any of paragraphs (a) to (d).

(3) "The relevant business or part", in relation to a relevant asset, means—

(a) in the case of a relevant asset within subsection (2)(e), the business, or part of a business, mentioned in the paragraph of subsection (2) within which the licensed asset falls, and

(b) in any other case, the business, or part of a business, mentioned in the paragraph of that subsection within which the relevant asset falls.

(4) In a case in which the relevant asset is goodwill, section 849C applies if—

(a) the transferor acquired all or part of the relevant business or part in one or more third party acquisitions as part of which the transferor acquired goodwill, and

(b) the relevant asset is acquired by C as part of an acquisition of all of the relevant business or part.

(5) In a case in which the relevant asset is not goodwill, section 849C applies if—

(a) the transferor acquired the relevant asset in a third party acquisition, and

(b) the relevant asset is acquired by C as part of an acquisition of all of the relevant business or part.

(6) In a case not within subsection (4) or (5), section 849D applies.

(7) The transferor acquires something in a "third party acquisition" if—

(a) the transferor acquires it from a company and, at the time of that acquisition—

(i) if the transferor is an individual, the transferor is not a related party in relation to the company, or

(ii) if the transferor is a firm, no individual who is a member of the transferor is a related party in relation to the company, or

(b) the transferor acquires it from a person ("P") who is not a company and, at the time of that acquisition—

(i) if the transferor is an individual, P is not connected with the transferor, or

(ii) if the transferor is a firm, no individual who is a member of the transferor is connected with P.

This is subject to subsection (9).

(8) In subsection (7)(b) "connected" has the same meaning as in Chapter 12 (see section 842).

(9) An acquisition is not a "third party acquisition" if its main purpose, or one of its main purposes, is for any person to obtain a tax advantage (within the meaning of section 1139 of CTA 2010).

849C Restrictions in a case within section 849B(4) or (5)

(1) This section contains restrictions relating to certain debits in respect of a relevant asset in a case within section 849B(4) or (5) (and in this section terms defined in section 849B have the same meaning as they have in that section).

(2) If a debit is to be brought into account by C for tax purposes, in respect of the relevant asset, under a provision of Chapter 3 (debits in respect of intangible fixed assets), the amount of that debit is—

$$D \times AM$$

where—

D is the amount of the debit that would be brought into account disregarding this section (and, accordingly, for the purposes of any calculation of the tax written-down value of the relevant asset needed to determine D, this section's effect in relation to any debits previously brought into account is to be disregarded), and

AM is the appropriate multiplier (see subsection (6)).

(3) If, but for this section, a debit would be brought into account by C for tax purposes, in respect of the relevant asset, under a provision of Chapter 4 (realisation of intangible fixed assets), two debits are to be brought into account under that provision instead—

(a) a debit determined in accordance with subsection (4), and

(b) a debit determined in accordance with subsection (5), which is to be treated for the purposes of Chapter 6 as a non-trading debit ("the non-trading debit").

(4) The amount of the debit determined in accordance with this subsection is—

$$D \times AM$$

where—

D is the amount of the debit that would be brought into account under Chapter 4 disregarding this section (and, accordingly, for the purposes of any calculation of the tax written-down value of the relevant asset needed to determine D, this section's effect in relation to any debits previously brought into account is to be disregarded), and

AM is the appropriate multiplier (see subsection (6)).

(5) The amount of the non-trading debit is—

$$D - TD$$

where—

D is the amount of the debit that would be brought into account under Chapter 4 disregarding this section (but, for the purposes of any calculation of the tax written-down value of the relevant asset needed to determine D, this section's effect in relation to any debits previously brought into account is not to be disregarded), and

TD is the amount of the debit determined in accordance with subsection (4).

(6) The appropriate multiplier is the lesser of 1 and—

$$\frac{RAVTPA}{CEA}$$

where—

RAVTPA is the relevant accounting value of third party acquisitions (see subsections (7) to (9)), and

CEA is the expenditure incurred by C for, or in connection with, the acquisition of the relevant asset that is—

(a) capitalised by C for accounting purposes, or

(b) recognised in determining C's profit or loss without being capitalised for accounting purposes,

subject to any adjustments under this Part or Part 4 of TIOPA 2010.

(7) In a case in which this section applies by virtue of subsection (4) of section 849B, the relevant accounting value of third party acquisitions is the notional accounting value of the goodwill mentioned in paragraph (a) of that subsection ("the previously acquired goodwill").

(8) In a case in which this section applies by virtue of subsection (5) of section 849B, the relevant accounting value of third party acquisitions is the notional accounting value of the relevant asset.

(9) The "notional accounting value" of the previously acquired goodwill, or of the relevant asset, is what its accounting value would have been in GAAP-compliant accounts drawn up by the transferor—

(a) immediately before the relevant asset was acquired by C, and

(b) on the basis that the relevant business or part was a going concern.

849D Restrictions in a case within section 849B(6)

(1) This section contains restrictions relating to certain debits in respect of a relevant asset in a case within section 849B(6) (and in this section terms defined in section 849B have the same meaning as they have in that section).

(2) No debits are to be brought into account by C for tax purposes, in respect of the relevant asset, under Chapter 3 (debits in respect of intangible fixed assets).

(3) Any debit brought into account by C for tax purposes, in respect of the relevant asset, under Chapter 4 (realisation of intangible fixed assets) is treated for the purposes of Chapter 6 as a non-trading debit."

(5) The amendments made by this section—

(a) have effect in relation to accounting periods beginning on or after 3 December 2014, and

(b) apply in relation to a relevant asset acquired by C on or after that date, unless C acquires the asset in pursuance of an obligation, under a contract, that was unconditional before that date.

(6) If the relevant asset is acquired by C—

(a) before 24 March 2015, or

(b) in pursuance of an obligation, under a contract, that was unconditional before that date,

section 849B of CTA 2009 has effect as if in subsection (1)(a) of that section "directly or indirectly" were omitted.

(7) For the purposes of subsection (5)(a), an accounting period beginning before, and ending on or after, 3 December 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.

(8) For the purposes of subsections (5)(b) and (6)(b), an obligation is "unconditional" if it may not be varied or extinguished by the exercise of a right (whether under the contract or otherwise).

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—

(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—

"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);

(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)".

(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).

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—

(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.

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.

CHAPTER 4

OTHER PROVISIONS

Pensions

34 Pension flexibility: annuities etc

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

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

Investment reliefs

36 Investment reliefs: excluded activities

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

(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

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

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

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

40 Wasting assets

(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)."

(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

(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.

(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

(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

(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

(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

(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.

(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

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

"**CHAPTER 4**

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 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

(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

(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

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

46 Plant and machinery allowances: anti-avoidance

Schedule 10 contains provision about plant and machinery allowances.

Oil and gas

47 Extension of ring fence expenditure supplement

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

(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

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

50 Supplementary charge: cluster area allowance

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

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