



# Finance (No. 2) Act 2015

## CHAPTER 33

### FINANCE (NO. 2) ACT 2015

#### PART 1

##### PRINCIPAL RATES ETC

###### *Tax lock*

- 1 Income tax lock
- 2 VAT lock

###### *Personal allowance and basic rate limit for income tax*

- 3 Personal allowance and national minimum wage
- 4 Personal allowance and national minimum wage: Chancellor's duties
- 5 Personal allowance from 2016
- 6 Basic rate limit from 2016

###### *Corporation tax*

- 7 Rate of corporation tax for financial years 2017-2020

###### *Capital allowances*

- 8 Annual investment allowance

#### PART 2

##### INHERITANCE TAX

###### *Rate bands*

- 9 Increased nil-rate band where home inherited by descendants
- 10 Rate bands for tax years 2018-19, 2019-20 and 2020-21

*Status: This is the original version (as it was originally enacted).*

---

### *Settlements*

- 11 Calculation of rate of inheritance tax on settled property
- 12 Exemption from ten-yearly charge for heritage property
- 13 Settlements with initial interest in possession
- 14 Distributions etc from property settled by will

### *Interest*

- 15 Inheritance tax: interest

## **PART 3**

### **BANKING**

#### *Bank levy*

- 16 Bank levy rates for 2016 to 2021

#### *Banking companies*

- 17 Banking companies: surcharge
- 18 Banking companies: expenses relating to compensation
- 19 Banks established under Savings Bank (Scotland) Act 1819: loss allowance
- 20 Definitions relating to banks

## **PART 4**

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

#### *Income tax*

- 21 Pensions: special lump sum death benefits charge
- 22 Pensions: some lump sum death benefits taxed as pension income
- 23 Pensions: annual allowance
- 24 Relief for finance costs related to residential property businesses
- 25 Enterprise investment scheme
- 26 Venture capital trusts
- 27 EIS, VCTs etc: excluded activities
- 28 EIS, VCTs and EMI: meaning of “farming”
- 29 Travel expenses of members of local authorities etc
- 30 London Anniversary Games

#### *Corporation tax*

- 31 R&D expenditure credits: ineligible companies
- 32 Loan relationships and derivative contracts
- 33 Intangible fixed assets: goodwill etc
- 34 Election of designated currency by UK resident investment company
- 35 Group relief
- 36 CFC charge: abolition of relief
- 37 CFC charge: tax avoidance involving carried-forward losses
- 38 Restitution interest payments
- 39 Corporation tax instalment payments

*Income tax and corporation tax*

- 40 Changes in trading stock not made in course of trade
- 41 Valuation of trading stock on cessation
- 42 Transfer of intangible assets not at arm's length

*Income tax and capital gains tax*

- 43 Carried interest
- 44 Disguised investment management fees
- 45 Carried interest and disguised investment management fees: "arise"

**PART 5**

EXCISE DUTIES AND OTHER TAXES

*Vehicle excise duty*

- 46 Vehicle excise duty

*Insurance premium tax*

- 47 Insurance premium tax: standard rate

*Aggregates levy*

- 48 Aggregates levy: restoration of exemptions

*Climate change levy*

- 49 CCL: removal of exemption for electricity from renewable sources

**PART 6**

ADMINISTRATION AND ENFORCEMENT

- 50 International agreements to improve compliance: client notification
- 51 Enforcement by deduction from accounts
- 52 Rate of interest applicable to judgment debts etc in taxation matters

**PART 7**

FINAL

- 53 Interpretation
- 54 Short title

---

SCHEDULES

SCHEDULE 1 — Rate of tax charged under Chapter 3 of Part 3 IHTA 1984

- 1 IHTA 1984 is amended as follows.
- 2 After section 62 insert— Same-day additions (1) For the purposes of this Chapter, there is a...
- 3 (1) Section 66 (rate of ten-yearly charge) is amended as...
- 4 In section 68 (rate before ten-year anniversary), in subsection (5)—...
- 5 (1) Section 69 (rate between ten-year anniversaries) is amended as...
- 6 In section 71F (calculation of settlement rate in order to...
- 7 The amendments made by this Schedule have effect in relation...

*Status: This is the original version (as it was originally enacted).*

---

SCHEDULE 2 — Bank levy rates for 2016 to 2021

- 1 Bank levy rate for 2016
- 2 Bank levy rate for 2017
- 3 Bank levy rate for 2018
- 4 Bank levy rate for 2019
- 5 Bank levy rate for 2020
- 6 Bank levy rate for 2021

SCHEDULE 3 — Banking companies: surcharge

PART 1 — MAIN PROVISIONS

- 1 In Part 7A of CTA 2010 (banking companies), after Chapter...

PART 2 — CONSEQUENTIAL AMENDMENTS

- 2 TMA 1970
- 3 FA 1998
- 4 CTA 2010
- 5 In section 269A (overview of Part 7A), at the end...
- 6 In Schedule 4 to CTA 2010 (index of defined expressions),...
- 7 TIOPA 2010
- 8 In section 371BC (charging the CFC charge), at step 5...
- 9 After section 371BH insert— Banking companies (1) In relation to a chargeable company that is a...
- 10 After section 371UB insert— Payments in respect of a charge...
- 11 FA 2015
- 12 (1) Section 79 (charge to tax) is amended as follows....
- 13 In section 107 (meaning of “effective tax mismatch outcome”), in...
  - PART 3 — COMMENCEMENT
- 14 Surcharge
- 15 The amendment made by paragraph 3 has effect for accounting...
- 16 CFCs
- 17 Diverted profits tax
- 18 Interpretation

SCHEDULE 4 — Pensions: annual allowance

PART 1 — ALIGNMENT OF PENSION INPUT PERIODS WITH TAX YEARS

- 1 Part 4 of FA 2004 is amended as follows.
- 2 In section 238 (pension input periods)— (a) in the title,...
- 3 After section 238 insert— Pension input periods from 9 July...
- 4 (1) Omit section 227E (pension input periods ending in, but...
- 5 In section 280(2) (index of defined expressions), in the entry...

PART 2 — ANNUAL ALLOWANCE FOR, AND CARRY-FORWARD FROM, 2015-16

- 6 In Part 4 of FA 2004, after section 228B insert—...

PART 3 — CALCULATION OF PENSION INPUT AMOUNTS FOR PERIODS ENDING IN 2015-16

- 7 Part 4 of FA 2004 is amended as follows.
- 8 In section 229 (total pension input amount), after subsection (4)...
- 9 After section 237 insert— Pension input amounts for input periods...

PART 4 — REDUCTION OF ANNUAL ALLOWANCE FOR HIGH-INCOME INDIVIDUALS

- 10 (1) In Part 4 of FA 2004, after section 228...

PART 5 — OTHER AMENDMENTS

- 11 (1) Part 4 of FA 2004 is amended as follows....

## SCHEDULE 5 — Enterprise investment scheme

- 1 Introductory
- 2 Limiting eligibility for relief to investments made before 2025
- 3 The investor
- 4 After section 164 insert— The existing shareholdings requirement (1)  
If, at the time the relevant shares are issued,...
- 5 In section 166 (connection with issuing company), after subsection (1)...
- 6 General requirements
- 7 (1) Section 173A (the maximum amount raised annually through risk...
- 8 After section 173A insert— Maximum risk finance investments at the...
- 9 Omit section 173B (the spending of money raised by SEIS...
- 10 (1) Section 174 (the purpose of the issue requirement) is...
- 11 (1) Section 175 (the use of money raised requirement) is...
- 12 After section 175 insert— The permitted maximum age requirement (1)  
The requirement of this section is that, if the...
- 13 The issuing company
- 14 Omit section 200 (power to amend certain provisions of Chapter...
- 15 Repayment etc of share capital
- 16 Information to be provided by issuing company etc
- 17 Acquisition of issuing company
- 18 Powers to amend Part 5 of ITA 2007
- 19 “Knowledge-intensive companies”
- 20 Consequential repeals
- 21 Commencement and transitional provision
- 22 The amendments made by paragraph 15 have effect in relation...
- 23 (1) The amendments made by paragraphs 3 to 5, 6...

## SCHEDULE 6 — Venture capital trusts

- 1 Introductory
- 2 Limiting eligibility for relief to investments made before 2025
- 3 Requirements for the giving of VCT approval
- 4 VCT approvals
- 5 The first commercial sale condition and the no business acquisition  
condition
- 6 Qualifying holdings
- 7 (1) Section 292A (the maximum amount raised annually through risk...
- 8 After section 292A insert— Maximum risk finance investments when  
relevant...
- 9 Omit section 292B (the spending of money raised by SEIS...
- 10 In section 293 (the use of the money raised requirement),...
- 11 After section 294 insert— The permitted company age requirement (1)  
The requirement of this section is that, if the...
- 12 In section 297A (the number of employees requirement)—
- 13 After that section insert— The proportion of skilled employees  
requirement...
- 14 Power to amend Chapter 4 of Part 6
- 15 Interpretation of Chapter 4 of Part 6
- 16 Acquisitions for restructuring purposes
- 17 After section 326 insert— Certain requirements of Chapter 3 to...
- 18 (1) Section 327 (certain requirements of Chapter 4 to be...
- 19 Power to amend Chapters 3 and 4 of Part 6 of ITA 2007
- 20 Interpretation of Part 6
- 21 Repeal of saving for investment of “protected money”

- 22 Consequential repeal  
23 Application and transitional provision

SCHEDULE 7 — Loan relationships and derivative contracts

PART 1 — LOAN RELATIONSHIPS: AMENDMENTS OF PARTS 5 AND 6 OF CTA 2009

- 1 Part 5 of CTA 2009 (loan relationships) is amended as...
- 2 In section 306 (overview of Chapter 3 of Part 5),...
- 3 After section 306 insert— Matters in respect of which amounts...
- 4 (1) Section 307 (general principles about the bringing into account...
- 5 (1) Section 308 (amounts recognised in determining a company’s profit...
- 6 In section 310 (power to make regulations about recognised amounts) —...
- 7 (1) Section 313 (basis of accounting) is amended as follows....
- 8 In the italic heading before section 315, for “policy” substitute...
- 9 (1) Section 315 (introduction to sections 316 to 319) is...
- 10 For section 316 substitute— Change of basis of accounting involving...
- 11 Omit section 317 (carrying value).
- 12 (1) Section 318 (change of accounting policy following cessation of...
- 13 (1) Section 320 (credits and debits treated as relating to...
- 14 After section 320 insert— Amounts recognised in other comprehensive income...
- 15 Omit section 321 (credits and debits recognised in equity).
- 16 (1) Section 322 (credits not required to be brought into...
- 17 In section 323 (meaning of expressions relating to insolvency etc.),...
- 18 After section 323 insert— Substantial modification: cases where credits not...
- 19 In section 324 (restriction on debts resulting from revaluation), after...
- 20 (1) Section 328 (exchange gains and losses) is amended as...
- 21 Omit sections 328A to 328H (loan relationships: arrangements that have...
- 22 (1) Section 329 (pre-loan relationship and abortive expenses) is amended...
- 23 After section 330 insert— Company is not, or has ceased...
- 24 Omit section 331 (company ceasing to be a party to...
- 25 In section 340 (group transfers and transfers of insurance business:...
- 26 (1) Section 342 (issue of new securities on reorganisations: disposal...
- 27 Omit section 347 (disapplication of Chapter 4 of Part 5...
- 28 (1) Section 349 (application of amortised cost basis to connected...
- 29 Omit section 350 (companies beginning to be connected) and section...
- 30 In section 352 (disregard of related transactions), after subsection (3)...
- 31 After section 352 insert— Exclusion of credits on reversal of...
- 32 In section 354 (exclusion of debits for impaired or released...
- 33 (1) Section 358 (exclusion of credits on release of connected...
- 34 (1) Section 359 (exclusion of credits on release of connected...
- 35 (1) Section 361 (acquisition of creditor rights by connected company...
- 36 Omit section 361A (the corporate rescue exception) and section 361B...
- 37 After section 361C insert— Corporate rescue: debt released shortly after...
- 38 In section 362 (parties becoming connected where creditor’s rights subject...
- 39 After section 362 insert— Corporate rescue: debt released shortly after...

- 40 In section 363 (companies connected for sections 361 to 362),...
- 41 In section 422 (transfer of loan relationship at notional carrying...
- 42 (1) Section 424 (reorganisations involving loan relationships) is amended as...
- 43 In section 433 (transfer of loan relationship at notional carrying...
- 44 (1) Section 435 (reorganisations involving loan relationships) is amended as...
- 45 In section 440 (overview of Chapter 15 of Part 5),...
- 46 In section 441 (loan relationships for unallowable purposes), after subsection...
- 47 In section 442 (meaning of “unallowable purpose”), after subsection (1)...
- 48 Omit section 443 (restriction of relief for interest where tax...
- 49 In section 450 (meaning of “corresponding debtor relationship”), in subsection...
- 50 Omit section 454 (application of fair value accounting: reset bonds...
- 51 In Chapter 15 of Part 5, after section 455A insert—...
- 52 After section 465A insert— Tax-adjusted carrying value “Tax-adjusted carrying value”...
- 53 In section 475 (meaning of expressions relating to exchange gains...
- 54 After section 475 insert— Meaning of “hedging relationship” “Hedging relationship”...
- 55 In section 476 (other definitions), in subsection (1)—
- 56 Part 6 of CTA 2009 (relationships treated as loan relationships...
- 57 In section 521F (shares becoming or ceasing to be shares...
- 58 In section 540 (manufactured interest treated as interest under loan...  
PART 2 — DERIVATIVE CONTRACTS: AMENDMENTS OF PART 7 OF CTA 2009
- 59 Part 7 of CTA 2009 (derivative contracts) is amended as...
- 60 In section 594 (overview of Chapter 3 of Part 7),...
- 61 After section 594 insert— Matters in respect of which amounts...
- 62 (1) Section 595 (general principles about the bringing into account...
- 63 (1) Section 597 (amounts recognised in determining a company’s profit...
- 64 In section 599B (determination of credits and debits where amounts...
- 65 (1) Section 604 (credits and debits treated as relating to...
- 66 After section 604 insert— Amounts recognised in other comprehensive income...
- 67 Omit section 605 (credits and debits recognised in equity).
- 68 (1) Section 606 (exchange gains and losses) is amended as...
- 69 Omit sections 606A to 606H (derivative contracts: arrangements that have...
- 70 (1) Section 607 (pre-contract or abortive expenses) is amended as...
- 71 After section 607 insert— Company is not, or has ceased...
- 72 Omit section 608 (company ceasing to be party to derivative...
- 73 In section 612 (overview of Chapter 4 of Part 7),...
- 74 In the italic heading before section 613, for “policy” substitute...
- 75 (1) Section 613 (introduction to sections 614 and 615) is...
- 76 For section 614 substitute— Change of basis of accounting involving...
- 77 (1) Section 615 (change of accounting policy after ceasing to...
- 78 In section 622 (contracts ceasing to be derivative contracts), in...
- 79 In section 625 (group member replacing another as party to...
- 80 Omit section 629 (disapplication of section 625 where transferor party...

- 81 In section 653 (shares issued or deferred as a result...  
82 In section 654 (payment instead of disposal on exercise of...  
83 In section 658 (chargeable gain or allowable loss treated as...  
84 In section 666 (allowable loss treated as accruing), in subsection...  
85 In section 671 (meaning of G, L and CV in...  
86 In section 673 (meaning of G, L and CV in...  
87 In section 675 (transfer of derivative contract at notional carrying...  
88 In section 684 (transfer of derivative contract at notional carrying...  
89 In section 689 (overview of Chapter 11 of Part 7),...  
90 (1) Section 690 (derivative contracts for unallowable purposes) is amended...  
91 In section 691 (meaning of “unallowable purpose”), after subsection (1)...  
92 In section 692 (allowance of accumulated net losses), in Step...  
93 Omit section 698 (derivative contracts: disposals for consideration not fully...  
94 In Chapter 11 of Part 7 of CTA 2009, after...  
95 For section 702 substitute— Tax-adjusted carrying value” (1) This section applies for the purposes of this Part...  
96 In section 705 (expressions relating to exchange gains and losses),...  
97 In section 710 (other definitions)— (a) before the definition of...  
PART 3 — AMENDMENTS OF TCGA 1992 RELATING TO LOAN RELATIONSHIPS  
98 (1) Section 151E of TCGA 1992 (exchange gains and losses...  
PART 4 — CONSEQUENTIAL AMENDMENTS  
99 (1) Schedule 4 to CTA 2009 (index of defined expressions)...  
100 In Schedule 21 to FA 2009, omit paragraphs 1 to...  
PART 5 — REPEAL OF UNCOMMENCED REPEAL PROVISIONS  
101 (1) Part 21 of CTA 2009 (other general provisions) is...  
PART 6 — COMMENCEMENT AND TRANSITIONAL PROVISIONS  
102 Introductory  
103 Commencement: the general rule  
104 This general rule— (a) does not apply in relation to...  
105 Part 5 of this Schedule comes into force on the...  
106 Commencement: sections 321, 349 and 605 of CTA 2009  
107 Commencement: insolvency, corporate rescue etc  
108 Paragraph 33(2) has effect in relation to the release of...  
109 Paragraphs 35 to 37 have effect where the company acquiring...  
110 Paragraphs 38 to 40 have effect where the companies become...  
111 Commencement: anti-avoidance provisions etc  
112 The following provisions— paragraph 28, so far as relating to...  
113 The following provisions— paragraph 45(b), paragraph 50, so far as...  
114 Paragraph 48 has effect where the scheme was effected, or...  
115 Transitional adjustments relating to loan relationships  
116 (1) If paragraph 115 applies in relation to a loan...  
117 Paragraphs 115 and 116 do not require an amount to...  
118 (1) This paragraph applies if either of the following provisions...  
119 (1) This paragraph applies if— (a) an overall transitional adjustment...  
120 Transitional adjustments relating to derivative contracts  
121 (1) If paragraph 120 applies in relation to a derivative...  
122 Paragraphs 120 and 121 do not require an amount to...  
123 (1) This paragraph applies if either of the following provisions...  
124 (1) This paragraph applies if— (a) an overall transitional adjustment...



- 125 Straddling accounting periods treated as split for certain purposes
- 126 Transitional provision relating to abolition of “fairly represents” test
- 127 If in an accounting period beginning before 1 January 2016,...
- 128 Transitional provision relating to fixed capital asset or project
- 129 If in an accounting period of a company beginning before...

## SCHEDULE 8 — Enforcement by deduction from accounts

### PART 1 — SCHEME FOR ENFORCEMENT BY DEDUCTION FROM ACCOUNTS

- 1 Introduction
  - 2 “Relevant sum”
  - 3 Information notice
  - 4 Hold notice
  - 5 Persons at a particular disadvantage in dealing with Revenue and Customs affairs
  - 6 Effect of hold notice
  - 7 Determination of held amounts
  - 8 Duty to notify HMRC and account holders etc
  - 9 Cancellation or variation of effects of hold notice
  - 10 Making objections to hold notice
  - 11 Consideration of objections
  - 12 Appeals
  - 13 Deduction notice
  - 14 Penalties
  - 15 Assessment of penalty
  - 16 Appeal against penalty
  - 17 Enforcement of penalty
  - 18 Protection of deposit-takers acting in good faith
  - 19 Power to modify amounts and time limits
  - 20 Power to make further provision
  - 21 Regulations
  - 22 Joint accounts
  - 23 Defined terms
  - 24 Extent
- ### PART 2 — MISCELLANEOUS AMENDMENTS
- 25 TMA 1970
  - 26 Insolvency Act 1986
  - 27 In section 126 (power to stay or restrain proceedings against...
  - 28 In section 128 (avoidance of attachments, etc), after subsection (2)...
  - 29 In section 130 (consequences of winding-up order), after subsection (3)...
  - 30 (1) Section 176 (preferential charge on goods distrained) is amended...
  - 31 In section 183 (effect of execution or attachment (England and...
  - 32 In section 346 (enforcement procedures), after subsection (1) insert—
  - 33 (1) In section 347 (distress, etc)— (a) for subsection (3)...
  - 34 Insolvency (Northern Ireland) Order 1989
  - 35 In Article 106 (power to stay or restrain proceedings against...
  - 36 In Article 108 (avoidance of sequestration or distress)—
  - 37 In Article 110 (consequences of winding-up order), after paragraph (3)...
  - 38 (1) Article 150 (preferential charge on goods distrained) is amended...
  - 39 (1) Article 301 (preferential charge on goods distrained) is amended...
  - 40 FA 1998
  - 41 FA 2003
  - 42 FA 2013